PUERTO RICO HIGHWAYS AND
TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Financial Statements with Independent Auditor's Report
and
Required Supplementary Information

Fiscal Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the

Puerto Rico Highways and Transportation Authority

(a Component Unit of the Commonwealth of Puerto Rico)

Opinion

We have audited the accompanying financial statements of the Puerto Rico Highways and Transportation Authority (the "Authority") (a Component Unit of the Commonwealth of Puerto Rico), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2022, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Restatement of Prior Period Financial Statements

As discussed in Note 24 to the financial statements, as of July 1, 2021, the net deficit of the Authority has been restated to correct certain highway repair and maintenance expenses incurred during the fiscal year 2021, but incorrectly recognized as an expense on fiscal year 2022. Our opinion is not modified in respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedule of changes in the Authority's total postemployment benefits other than pensions (OPEB Plan) liability and related ratios, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

March 30, 2023

Crowe PR PSC

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Report.

The following discussion and analysis of the financial performance and activity of the Puerto Rico Highways and Transportation Authority (the Authority) provides an introduction and understanding of the financial statements of the Authority for the fiscal years ended June 30, 2022, and 2021. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follows this section.

Financial Statements

The financial statements provide information about the Authority's activities. The financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as promulgated by GASB.

The Authority restated the beginning balance of the net deficit to correct certain highway repair and maintenance expenses incurred during the fiscal year 2021, but incorrectly recognized as an expense on fiscal year 2022. Refer to Note 24 for details.

Notwithstanding circumstances existing on June 30, 2022, based on subsequent events that remediated the Authority's financial condition and addressed its liabilities, management does not believe there is substantial doubt about the Authority's ability to continue as a going concern as of the date of these financial statements. For additional information regarding uncertainties and liquidity risk, refer to Note 26.

Financial Highlights

The Authority's net deficit as of June 30, 2022, totaled $1,229.7 million as compared to net deficit of $706.6 million as of June 30, 2021 (as restated). Net deficit increased by $523.1 million after capital grants during the fiscal year ended June 30, 2022, as compared to an increase of $303.5 million during the fiscal year ended June 30, 2021, as restated. This change is mainly attributable to an increase of operating revenues of $58.9 million, a decrease of $31.1 million in operating expenses, a decrease of interest on bonds and GDB Debt Recovery Authority (GDB DRA) (formerly known as GDB) obligations of $34.5 million, a decrease of $206.1 million of operating transfers from the Commonwealth, and a decrease in capital transfers and grants of $119.4 million during fiscal year ended June 30, 2022.

The Authority's net capital assets, including assets under the Service Concession Agreements (as defined below), totaled $8,529.6 million on June 30, 2022, as compared to $8,847.9 million on June 30, 2021. Net capital assets decreased by 3.69% on June 30, 2022, when compared with the balance on June 30, 2021.

The total aggregate amount of the Authority's non-current liabilities was $9,074.2 million on June 30, 2022, as compared to $8,849.6 million on June 30, 2021, which consisted principally of bonds payable, GDB Debt Recovery Authority obligation, accrued interest, accrued legal claims, voluntary termination incentive plans, the Authority's net pension liability and general unsecured claims. A significant part of the liabilities has been stayed under Title III of the Puerto Rico Oversight, Management, and Economic Stability (PROMESA).

On May 5, 2021, the Authority executed the Highways and Transportation Authority / Convention Center District Authority Plan Support Agreement (HTA/CCDA PSA) to exchange the outstanding bonds, together with the GDB Debt Recovery Authority Obligation (including accrued interest) (disclosed in Note 16), for a combination of bonds to be issued by the Authority contingent value instruments to be issued by the Commonwealth, and certain cash consideration to be paid at the time of the exchange. On October 12, 2022, the court confirmed the Authority's Plan of Adjustment (POA) to restructure said liabilities under certain conditions. See Note 26 for more details. The HTA/CCDA PSA, as confirmed on October 12, 2022, by the Title III Court, will reduce the Authority's bond payable obligations to $1,245 million, which will be payable in forty years, at 5%. This represents an estimated discharge of debt of approximately $6,600 million. On December 6, 2022, the Authority's POA was substantially consummated. Therefore, the court established that date as the effective date of the plan.

Overview of the Financial Statements

The financial statements consist of the: (1) statement of net deficit, (2) statement of revenues, expenses, and changes in net deficit, (3) statement of cash flows, and (4) notes to the financial statements. The financial statements are prepared on the accrual basis of accounting, meaning that all expenses are recorded when incurred and all revenues are recognized when earned, in accordance with GAAP.

Statement of Net Deficit

The statement of net deficit reports all financial and capital resources of the Authority. The statement is presented in the format where assets plus deferred outflows of resources equal liabilities plus deferred inflows of resources plus net deficit. Assets and liabilities are presented in order of liquidity and are classified as current (convertible into cash or due and payable within one year) and non-current. The focus of the statement of net deficit is to show a picture of the liquidity and financial health of the Authority as of the end of the year.

The Authority's net deficit is reported in the following categories:

Net Investment in Capital Assets - This component of net deficit consists of all capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service - This component of net deficit is used to account for restricted assets for the principal and interest payments of the bonds payable. However, since the Authority filed for relief under PROMESA Title III, all debt service of the bonds, other than those related to the Teodoro Moscoso Bridge concession have been stayed and subsequently discharged as of the effective date of the Authority's POA. Accordingly, net assets are not being segregated for debt service. For more details, refer to Note 26.

Restricted for Construction - This component of net deficit consists of restricted assets for the specific purpose of paying for construction projects. This restriction is imposed by the grantors and contributors, as well as the bondholders through debt covenants.

Unrestricted Deficit - This component consists of net deficit that does not meet the definition of net investment in capital assets or restricted for debt service or for construction.

Statement of Revenues, Expenses, and Changes in Net Deficit

The statement of revenues, expenses, and changes in net deficit includes: (i) operating revenues, which consist of toll fares, other operating income, concession agreements, and other operating expenses, such as costs of operating toll roads, the transportation system, administrative expenses, repairs and maintenance of roads and bridges, and depreciation on capital assets; and (ii) non-operating revenue and expenses, such as operating transfers from the Commonwealth, interest and investment income, interest expense and others. The statement also includes capital contributions and payments received from the Commonwealth and federal government grants. The focus of the statement of revenues, expenses, and changes in net deficit is the change in net deficit (economic resources measurement focus). This is similar to net income or loss and portrays the results of operations of the Authority for the entire operating period.

Statement of Cash Flows

The statement of cash flows discloses net cash provided by or used by operating activities, noncapital financing activities, capital, and related financing activities and from investing activities. This statement also portrays the financial health of the Authority in that current cash flows are sufficient to pay current liabilities.

Notes to the Financial Statements

The notes to financial statements are an integral part of the financial statements and describe the significant accounting policies, related-party transactions, deposits and investments, capital assets, bonds payable, long-term liabilities, retirement plans, commitments, contingencies, PROMESA, and the restatement of the 2021 financial statements. The reader is encouraged to read the notes in conjunction with the management discussion and analysis and the financial statements.

Financial Analysis of the Authority

Condensed Statements of Net Deficit

The following table reflects the condensed net deficit of the Authority as of June 30, 2022 and 2021:

	2022	2021 Restated
Assets		
Current assets	$ 66,503,156	$ 89,537,218
Restricted assets	284,517,280	316,905,109
Capital assets, net	8,332,354,942	8,651,692,427
Highways and bridge under concession agreements, net	197,261,844	196,198,857
Lease receivable	4,497,858	-
Total assets	8,885,135,080	9,254,333,611
Deferred outflows of resources	173,943,278	194,853,800
Total assets and deferred outflows of resources	$ 9,059,078,358	$ 9,449,187,411
Liabilities		
Current liabilities	$ 166,348,028	$ 239,524,794
Non-current liabilities	9,074,253,091	8,849,620,564
Total liabilities	9,240,601,119	9,089,145,358
Deferred inflows of resources	1,048,138,645	1,066,624,077
Total liabilities and deferred inflows of resources	10,288,739,764	10,155,769,435
Net deficit		
Net investment in capital assets	1,300,117,866	1,521,179,877
Restricted for debt service	-	-
Restricted for constructions	77,040,557	119,621,153
Unrestricted	(2,606,819,829)	(2,347,383,054)
Total net deficit	(1,229,661,406)	(706,582,024)
Total liabilities, deferred inflow of resources and net deficit	$ 9,059,078,358	$ 9,449,187,411

Current assets decreased by approximately 25.7% to $66.5 million during the fiscal year ended June 30, 2022. The net decrease in current assets of $23.0 million was principally due to an increase in cash and cash equivalents, by approximately $3.1 million, an increase in accounts receivable by approximately $9.5 million and a decrease in due from Commonwealth by approximately $35.5 million. Cash and cash equivalents increased by approximately $3.1 million mainly due to more toll revenues received during the fiscal year ended June 30, 2022. This increase is mainly due to the normalization of private and government operations after the impact of lockdown caused by the COVID-19 pandemic virus. Accounts receivable increased by $9.5 million due to an increase in the amount due from toll revenues. The due from Commonwealth decreased by approximately $35.5 million mainly due to less operating transfers received from Commonwealth during fiscal year 2022.

Restricted assets decreased by approximately 10.22% to $284.5 million during the fiscal year ended June 30, 2022. Cash and cash equivalents and Investments with Trustee decreased by approximately $27.6 million during the fiscal year ended June 30, 2022. This decrease is mainly due to the use of capital expenditures (CAPEX) funds and "Abriendo Caminos" and PEMOC programs by approximately $31.4 million. In addition, investments had interest income of approximately $2.6 million and due from U.S. Federal government related to Federal Highway Administration (FHWA) funds decreased by 7.0% to approximately $64.1 million. There were no pledged revenues deposited with the Trustee during fiscal years 2022 and 2021. All other restricted assets remained in line with the prior fiscal year.

During the fiscal year ended June 30, 2022, capital assets decreased by 3.7% to approximately $8,332.4 million as compared to fiscal year 2021. The decrease was mainly due to the net result of an aggregate increase in construction in process, roads, bridges and equipment, and vehicles of approximately $170.2 million, net of depreciation and amortization expense of approximately $489.5 million for the fiscal year ended June 30, 2022.

During the fiscal year ended June 30, 2022, highways, and bridges under the Service Concession Agreements (as defined below) increased by 0.54% to approximately $197.3 million as compared to fiscal year 2021. This increase was due to an increase of approximately $2.8 million of capital improvements offset by a depreciation expense of approximately $1.6 million related to the Teodoro Moscoso Bridge. Note that other assets under service concession agreements are not depreciated, since the service concession agreements require the concessionaire to return the assets to the Authority in their original or enhanced condition.

Deferred outflows of resources decreased to approximately $173.9 million during the current fiscal year. This represents a decrease of 10.7%, which is mainly due to the amortization of the deferred losses on advance refunding by approximately $4.8 million and a decrease of deferred outflows related to GASB 73 Pension Expense Report of Pension Plan by $16.1 million for the fiscal year ended June 30, 2022.

During the fiscal year ended June 30, 2022, current liabilities decreased by 30.6% to approximately $166.3 million as compared to fiscal year 2021. Major changes in current liabilities are the following:

Accounts payable and accrued liabilities, including vacations, decreased by 14.1% to approximately $152.4 million during the fiscal year ended June 30, 2022, as compared to the prior fiscal year.

Unearned revenue decreased by $48.5 million due to the use of the state grants received and incurred for repairs and maintenance of roads and bridges during the current fiscal year.

The current portion of bonds payable increased by 1.5% to approximately $13.4 million during the fiscal year ended June 30, 2022, as compared to prior fiscal year. The current portion of bonds payable is related to bonds payable of the Teodoro Moscoso Bridge. The increase is mainly due to an increase in principal bond payable amounts due for fiscal year 2022 when compared to amounts that were due during fiscal year 2021.

During the fiscal year ended June 30, 2022, non-current liabilities increased by 2.5% to approximately $9,074.3 million as compared to fiscal year 2021. The increase in non-current liabilities of approximately $224.6 million during the current fiscal year was the net effect of: an increase in accrued interest payable on bonds payable and GDB Debt Recovery Authority obligation by 14.5% to approximately $2,123.7 million during the fiscal year ended June 30, 2022 as compared to prior fiscal year; a decrease in bonds payable and bonds payable, Teodoro Moscoso of approximately $22.8 million; a decrease of $14.5 million in total pension liability, and a decrease of $4.7 million on obligations under vacations and voluntary termination incentive plan liability.

Accrued legal claims not related to expropriation and related costs, increased by 14.4% to approximately $22.6 million during the fiscal year ended June 30, 2022, as compared to the prior year period. Accrued legal claims related to expropriations decreased by 3.2% to approximately $45.1 million. The value of the legal claims was recorded based on advice from internal and external legal counsel.

Deferred inflows of resources during the fiscal year ended June 30, 2022, decreased by 1.73% to $1,048.1 million as compared to fiscal year 2021. The decrease of $18.5 million was mainly due to the effect of the amortization to the deferred inflows of resources on concession agreements by 2.23% to approximately $1,013.6 million and the increase of deferred inflow of to the GASB 73 Pension Expense Report of the Pension Plan by 1.0% to approximately $29.6 million.

During the fiscal year ended June 30, 2022, the Authority's net deficit increased by 74.0% to $1,229.7 million as compared to fiscal year 2021. The decrease was due to a loss of approximately $523.1 million after capital grants during the current fiscal year 2022. The largest portion of the Authority's net deficit was its investments in capital assets net of related debt outstanding used to acquire such capital assets.

Condensed Statements of Revenues, Expenses, and Changes in Net Deficit

The following table reflects a condensed summary of the revenues, expenses, and changes in net deficit for fiscal years ended June 30, 2022 and 2021:

	2022	2021 Restated
Operating revenues:		
Toll fares	$ 202,288,890	$ 151,557,243
Other operating income	15,391,100	7,582,389
Concession agreements	41,537,872	41,164,686
Total operating revenues	259,217,862	200,304,318
Total operating expenses	330,152,176	361,250,276
Depreciation and amortization	489,456,503	476,415,023
Operating loss	(560,390,817)	(637,360,981)
Non-operating revenues (expenses):		
Operating transfers from the Commonwealth of Puerto Rico	2	206,136,000
Operating grants from U.S. Federal Government	21,843,518	16,565,090
Net investment income	1,120,116	3,891,951
Interest on bonds and GDB Debt Recovery Authority Obligations	(267,575,666)	(302,106,535)
Other non-operating revenues/ (expenses)	102,307	(558,127)
Total non-operating revenues / (expenses)	(244,509,723)	(76,071,621)
Loss Before Capital Contributions	(804,900,540)	(713,432,602)
Capital grants (U.S. Federal and Commonwealth)	281,821,158	401,222,514
Change in net deficit	(523,079,382)	(312,210,088)
Net deficit at beginning of year, including ($8,691,704), restatement in 2021	(706,582,024)	(394,371,936)
Net deficit at end of year	$ (1,229,661,406)	$ (706,582,024)

Operating revenues, which consisted of toll fares, concession agreements and other operating revenues increased by 29.4% to $259.2 million during the fiscal year ended June 30, 2022, as compared to fiscal year 2021. This increase is the net effect of the following:

a. The increase in toll fares of $50.7 million is mainly attributable to the reopening of governmental and business operations after the impact of the lockdown mandates as a result of the COVID-19 pandemic virus.

b. The increase in other operating income of approximately $7.8 million during the current fiscal year was the aggregate effect of: 1) an increase of train fares by approximately $2.1 million; 2) a gain of approximately $1.6 million due to a termination of guaranteed investment certificate; 3) a gain of approximately $1.7 million related with a sale of land, and 4) other income of approximately $1.6 million due to services provided to other governmental agencies.

c. The increase in concession revenue agreements related to the increase of the Bridge Service Concession revenue for the amount of principal and interest on bonds made by Autopistas de Puerto Rico (Autopistas) remained in line with the prior fiscal year.

Operating expenses decreased by 8.6% to approximately $330.2 million during the fiscal year ended June 30, 2022, as compared to fiscal year 2021. The decrease in operating expenses of approximately $31.1 million during the current fiscal year was the aggregate effect of: 1) the net effect of a decrease in salaries and related benefits of approximately $1.2 million; 2) a decrease in toll highways administration of approximately $2.1 million; 3) an increase in the train operating and maintenance expense of approximately $7.1 million; 4) an increase on the integrated transportation system of approximately $1.3 million; 5) a decrease in repairs and maintenance of roads and bridges of approximately $47.9 million, and 6) an increase in legal and professional services of approximately $3.5 million including Title III legal services and $5.6 million in other expenses.

Capital grants from the Commonwealth decreased by approximately $100.9 million when compared to fiscal year ended June 30, 2021, as a result of a decrease in amounts granted by the Commonwealth.

On November 30, 2015, the Governor issued Executive Order 2015-046, which directed the Puerto Rico Department of the Treasury (DOT) to retain, among other things, certain gasoline, oil, diesel, and petroleum taxes that the Commonwealth had previously conditionally allocated to the Authority. These revenues were retained by the Commonwealth for the payment of essential government services. Such conditional allocation of gasoline, oil, diesel, and petroleum taxes to the Authority will no longer be made as the Commonwealth Plan of Adjustment (defined below) provides that the statutes that authorized such allocations have been preempted and the conditional allocation discharged.

Investment income decreased by approximately $2.6 million during the fiscal year ended June 30, 2022, as a result of a decrease in dividends and interest income from investments, and a decrease in net realized and unrealized capital gains. In addition, interest expense on bonds and GDB Debt Recovery Authority obligations decreased by approximately $34.5 million during fiscal year ended June 30, 2022, principally due to the decrease in interest payable related with GDB Debt Recovery Authority obligation outstanding balance.

Other non-operating revenues remained in line with the prior fiscal year.

The Authority also received capital and operating grants from the U.S. federal government. Capital grants may only be used for construction, major improvements, preservation of highways and bridges while operating grants are used to finance repair and maintenance for roads and bridges, and other operating expenses of other mass transportation systems. Such capital and operating grants amounted to approximately $221.0 and $234.2 million during the fiscal year ended June 30, 2022, and 2021, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2022, the Authority had approximately $8,332.4 million in capital assets, net of accumulated depreciation, which represents a decrease of $319.3 million, when compared with the prior year. Capital assets consist of roads, bridges, mass transportation system, transportation equipment, buildings, lands, construction in progress, and highways and bridges under concession agreements.

Since the end of fiscal year 2005, the Authority operates the mass rail transportation system for the San Juan metropolitan area known as "Urban Train". The Authority originally incurred approximately $2.42 billion in costs in connection with the Urban Train, of which $685.7 million was paid with federal funds. The Urban Train in San Juan consists of approximately 17 kms of track running from San Juan to Bayamón. Maintenance services are partially funded with operating grants from the Federal Transit Administration (FTA). Total operating grants received from FTA used for maintenance services and other programs amounted to approximately $21.9 million during the fiscal year ended June 30, 2022. Effective on July 1, 2017, the Authority entered into a new contract with ACI-Herzog for the purpose of operating and maintaining the Urban Train. This contract expires on June 30, 2032, with an option to extend the term for an additional two periods of not less than 5 years, as long as the entire term does not exceed 25 years. The total annual operation and maintenance cost, for the fiscal year ended June 30, 2022, was approximately $52.9 million. The Authority is required to continue to implement the comprehensive reorganization outlined in the certified October 2022 Authority's Fiscal Plan, including among others, the transfer of the Urban Train to Puerto Rico Integrated Transit Authority (PRITA). Refer to Note 26 for additional information on the comprehensive reorganization plan.

On September 22, 2011, the Authority entered into a toll road service concession agreement (the Toll Road Service Concession Agreement) with Metropistas, in which the Authority granted Metropistas the right to finance, operate and maintain the PR-22 and PR-5 highways for a period of 40 years. During the 40-year term, Metropistas will have the right to charge and collect the tolls imposed on these highways as more fully described in Note 10 to the financial statements. On April 19, 2016, the Authority entered into an amendment of the Toll Road Service Concession Agreement to extend the original term for ten additional years and to create five bi-directional tolling points on the PR-5 and PR-22 highways.

On December 20, 1992, the Authority and Autopistas entered into a service concession agreement (as amended in 1992, 2004, and 2009, the Bridge Service Concession Agreement, and together with the Toll Road Service Concession Agreement, the Service Concession Agreements) for the design, construction, operation and maintenance of the Teodoro Moscoso Bridge, a toll bridge that crosses the San Jose Lagoon between the municipalities of San Juan and Carolina. Autopistas designed and constructed the Teodoro Moscoso Bridge, which began operating on February 23, 1994, as more fully described in Note 10 to the financial statements. On September 9, 2009, the agreement was amended to extend its term to 50 years (2044).

Debt Administration

Since 2017, all debt obligations of the Authority had been stayed under PROMESA Title III, with the exception of the Teodoro Moscoso Bridge bonds, which was the only debt not in default at the date of the Stay and kept current until the approval of the POA.

As of June 30, 2022, the total aggregate principal amount of the Authority's bonds outstanding (net of unamortized premiums and discounts) amounted to approximately $4,361.1 million (excluding the TMB Bonds), plus accrued interest of $1,145.3 million. In addition, as of the same date, the aggregate principal amount of expired lines of credit owed to the GDB DRA was $1,733.7 million, plus accrued interest of $978.4 million. Upon the approval of the POA, on December 6, 2022, substantially all debt obligations of the Authority were restructured, as more fully disclosed under *Authority's Fiscal Plan and Plan of Adjustment* below. Refer to Note 26 for additional information.

CURRENTLY KNOWN FACTS

The Authority's POA, confirmed on October 12, 2022, and effective on December 6, 2022, provides a path for Authority to exit bankruptcy and enables Authority to make the necessary investments to improve and maintain Puerto Rico's roads and other transportation infrastructure. It represents several years of engagement by the Oversight Board, creditor groups, and the Government of Puerto Rico. It cuts Authority's outstanding debt from $6.4 billion to $1.2 billion (approximately 80% decrease) by defining the recovery rate for 19 classes of claims (e.g., HTA 68 Bond Claims, Authority 98 Senior Bond Claims, HTA General Unsecured Claims) and providing repayment in the form of $1.2 billion of New Authority Bonds or cash. It includes a $360 million loan from the Commonwealth to the Authority for liquidity which will be repaid over 30 years at 2.5% annual interest over FY2023-51. The Authority is required to continue to implement the comprehensive reorganization outlined in the certified October 2022 Authority Fiscal Plan, including the organizational separation of the Toll Roads and Non-toll Roads Management Offices, regular toll fare increases to cover its expenses and debt payments, and transfer of Urban Train to PRITA. Refer to Note 26 for more information.

COVID-19 Pandemic Event

Since China first alerted the World Health Organization ("WHO") of flu-like cases in Wuhan on December 31, 2019, the global community is experiencing an unprecedented health crisis caused by a novel coronavirus known as COVID-19, which can cause severe symptoms including fever, cough, shortness of breath, and even death in extreme cases. On March 15, 2020, then Governor Wanda Vázquez Garced signed Executive Order No. OE-2020-023, which directed the closure of all non-essential businesses in Puerto Rico. Thereafter, to the date these financial statements were issued, new Executive Orders have been issued, including those by the current Governor Pedro Pierluisi. At the Authority, substantial closure of operations was in place for under two months. Thereafter, construction and maintenance work began, as contractors rescheduled the work in progress, and administrative employees began working under a hybrid schedule until September 30, 2021, when all employees were required to return to their workspace on a full-time basis, with proof of vaccination with certain exceptions. As of the date these financial statements were issued, there was a marked decrease in persons getting infected or requiring hospitalization. However, the long-term effect of the pandemic has not been significant for the Authority's operations.

Toll Collection System Cyberattack

On April 16, 2022, the privately managed toll collection system was affected by a cyberattack. This attack affected the mobile application, the collection systems at toll stations, and the website. The financial impact of the cyber-attack on the Authority's operations resulted in the recognition of a balance due from the toll users of $7.6 million, which approximately $2.4 million is still outstanding as of the date of issuance of the financial statements.

Hurricane Fiona

On September 18, 2022, Hurricane Fiona made landfall in Puerto Rico, bringing sustained winds of 85 miles per hour and significant rainfall. The hurricane caused catastrophic destruction in Puerto Rico, including severe damage to the electric power system, and left the Island completely without power. Management has initially determined that replacing or repairing the property damaged by this hurricane will have a replacement cost of approximately $150 million.

Authority's Fiscal Plan and Plan of Adjustment

On October 14, 2022, the Oversight Board certified a modified version of the FY 2022 fiscal plan for the Authority that was initially approved on May 27, 2021. The modified FY 2022 fiscal plan incorporates elements of the Commonwealth Plan of Adjustment, which was confirmed on January 18, 2022, and became effective on March 15, 2022. The fiscal plan also incorporates elements of the Authority's POA, confirmed on October 12, 2022. On December 6, 2022, the court declared the terms of the POA substantially consummated, declaring that date as the effective date of the plan.

The Authority's POA restructured approximately $6.6 billion of debt and other claims against the Authority. The POA saves the Authority more than $3 billion in debt service payments, before interest, through its effective term to the holders of about $4.2 billion in Authority bonds. The Authority issued $1.2 billion in new bonds and $389 million in cash. The Authority's POA also established a cap for the payment of all General Unsecured Claims at $48 million, to be paid in cash. Under the POA, the Commonwealth of Puerto Rico issued to the Authority a $360 million loan, that together with the $92 million held by the Trustee, will be used to pay the bondholders and other debtors. This subordinated loan will be payable over 30 years at 2.50% interest. In addition, the Authority's POA settles about $2.2 billion in outstanding loans held by the GDB DRA, which receives no consideration from the Authority, but instead receives CVIs that were issued under the Commonwealth Plan of Adjustment as confirmed by the U.S. District Court on January 18, 2022, but which the Authority's portion was withheld issuance until the Authority's POA was declared effective on December 6, 2022. Refer to Note 26 for additional information on the Authority's POA.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, and other parties in interest with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions or need additional financial information, contact the Puerto Rico Highways and Transportation Authority, Finance Area, P.O. Box 42007, San Juan, Puerto Rico 00940-2007.

PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Deficit

June 30, 2022

Assets		
Current assets:		
Cash	$	21,507,538
Accounts receivable, net		16,610,389
Due from Commonwealth of Puerto Rico, net		23,571,461
Prepaid expenses and other assets		4,813,768
Total current assets		66,503,156
Restricted assets:		
Cash and cash equivalents		128,010,166
Investments with trustee		92,368,437
Due from U.S. federal government		64,138,677
Total restricted assets		284,517,280
Other non-current assets:		
Capital assets, net		8,332,354,942
Highways and bridge under concession agreements, net		197,261,844
Lease receivable		4,497,858
Total other non-current assets		8,534,114,644
Total assets		8,885,135,080
Deferred outflows of resources:		
Pension related		114,181,962
Deferred loss on advance refunding		58,315,588
Other postemployment benefits related		1,445,728
Total deferred outflows of resources		173,943,278
Total assets and deferred outflows of resources	$	9,059,078,358

Continued.

PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Deficit (Continued)

June 30, 2022

Liabilities		
Current liabilities:		
Accounts payable	$	34,297,866
Accrued and other liabilities		39,701,604
Accounts payable subcontractors		74,931,574
Unearned revenue		511,071
Accrued legal claims		3,465,912
Bonds payable, Teodoro Moscoso		13,440,001
Total current liabilities		166,348,028
Non-current liabilities:		
Bonds payable		4,361,154,871
Bonds payable, Teodoro Moscoso, net		64,969,518
Accrued interest on bonds payable		1,145,293,765
GDB Debt Recovery Authority obligation		1,733,697,499
Accrued interest on GDB Debt Recovery Authority obligation		978,448,100
Compensated absences		3,670,063
Termination benefits		21,126,134
Total pension liability		646,377,743
Other postemployment liabilities		16,862,677
Prepetition liabilities:		
Accounts payable		8,382,246
Accrued and other liabilities		4,021,368
Accounts payable subcontractors		26,035,402
Accrued legal claims		64,213,705
Total non-current liabilities		9,074,253,091
Total liabilities		9,240,601,119
Deferred inflow of resources:		
Service concession agreement		1,013,585,640
Other postemployment benefits related		504,398
Pension related		29,607,318
Lease related		4,441,289
Total deferred inflows of resources		1,048,138,645
Net deficit:		
Net investment in capital assets		1,300,117,866
Restricted for debt service		-
Restricted for construction		77,040,557
Unrestricted deficit		(2,606,819,829)
Total net deficit		(1,229,661,406)
Total liabilities, deferred inflow of resources and net deficit	$	9,059,078,358

The Notes to Financial Statements are an integral part of the Financial Statements.

PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Revenues, Expenses, and Changes in Net Deficit

Year Ended June 30,2022

Operating revenues:		
Toll fares	$	202,288,890
Other operating income		15,391,100
Concession agreements		41,537,872
Total operating revenues		259,217,862
Operating expenses:		
Salaries and related benefits		13,640,048
Pensions paid (PayGo)		37,585,021
Other postemployment benefits		69,672
Toll highways administration and maintenance		49,784,871
Train operating and maintenance costs		52,916,230
Integrated transportation system		12,297,032
Repairs and maintenance of roads and bridges		107,381,358
Utilities		8,350,796
Insurance		13,078,494
Other		35,048,654
Total operating expenses		330,152,176
Operating loss before depreciation and amortization		(70,934,314)
Depreciation and amortization		489,456,503
Operating loss		(560,390,817)
Non-operating revenues (expenses):		
Operating grants from U.S. federal government		21,843,518
Interest on bonds and GDB Debt Recovery Obligation, net		(267,575,666)
Investment income		1,176,368
Net change in fair value of investments		(56,252)
Other		102,309
Total non-operating revenues (expenses), net		(244,509,723)
Loss before capital grants		(804,900,540)
Capital Grants:		
U.S. federal government		199,187,999
Commonwealth		82,633,159
Total capital grants		281,821,158
Change in net deficit		(523,079,382)
Net deficit at beginning of the year, as previously stated		(697,890,320)
Prior period adjustment		(8,691,704)
Net deficit at end of the year	$	(1,229,661,406)

The Notes to Financial Statements are an integral part of the Financial Statements.

PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Cash Flows

Year Ended June 30,2022

OPERATING ACTIVITIES:		
Receipt from tolls and train fares	$	213,225,556
Receipt from other sources		46,095,305
Payments to employees, PayGo and related benefits		(57,838,507)
Payments to suppliers for goods and services		(327,333,234)
Net cash used in operating activities		(125,850,880)
NONCAPITAL FINANCING ACTIVITIES:		
Operating grants received		15,438,974
Net cash provided by noncapital financing activities		15,438,974
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received		270,622,775
Acquisition and construction of capital assets		(171,841,484)
Payment of bonds Teodoro Moscoso Bridge		(13,235,000)
Interest paid Teodoro Moscoso Bridge		(2,458,170)
Net cash flows provided by capital and related financing activities		83,088,121
INVESTING ACTIVITIES:		
Purchase of investments		(1,032,453)
Interest receipts from lease receivable		128,307
Investments and interest income received		1,176,368
Net cash provided by investing activities		272,222
NET DECREASE IN CASH AND CASH EQUIVALENTS		(27,051,563)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		176,569,267
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	149,517,704

Continued.

PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Cash Flows (Continued)

Year Ended June 30,2022

RECONCILIATION TO CASH AND CASH EQUIVALENTS PRESENTED		
IN THE STATEMENT OF NET DEFICIT:		
Cash	$	21,507,538
Cash and cash equivalents - restricted		128,010,166
Total	$	149,517,704
RECONCILIATION OF OPERATING LOSS TO NET CASH		
FLOW USED IN OPERATING ACTIVITIES:		
Operating loss	$	(560,390,817)
Adjustments to reconcile operating loss to net cash flows		
used in operating activities:		
Depreciation and amortization		489,456,503
Net change in operating assets and liabilities:		
Accounts receivable		25,975,243
Prepaid expenses and other assets		166,323
Other post employment benefits		(1,079,386)
Deferred outflows of resources related to pensions		(1,246,445)
Pension liability		(46,500,333)
Accounts payable		(8,098,853)
Accrued liabilities		(15,751,624)
Accrued legal claims		2,841,929
Accrued vacation		(787,669)
Accrued voluntary incentive plan liability		(5,981,597)
Deferred otflows from concession agreement		(20,785,018)
Deferred outflows pension related		16,173,119
Deferred inflows pension related		275,047
Deferred inflows of resources related to pensions		(117,302)
Net cash flows used in operating activities	$	(125,850,880)
SUPPLEMENTAL CASH FLOWS INFORMATION:		
Non-cash transaction:		
Improvements to roads under concession agreements	$	2,760,236

The Notes to Financial Statements are an integral part of the Financial Statements.

1. ORGANIZATION

The Authority is a public corporation and component unit of the Commonwealth of Puerto Rico (the Commonwealth) created by Act No. 74 of June 23, 1965, as amended ("Act No. 74-1965"), to design, construct and administer toll roads, highways, and other facilities for the mobility of individuals, vehicles, and vessels, and for the planning, promotion, and feasibility of mass transportation systems. As a component unit, the Authority is included in the financial statements of the Commonwealth.

With the enactment of PROMESA on June 30, 2016, as more fully discussed in Note 3, certain corporate actions may also require approval by the Financial Oversight and Management Board for Puerto Rico (the Oversight Board). In addition, the enactment of Act No. 2-2017, the *Puerto Rico Fiscal Agency and Financial Advisory Authority Act*, expanded the powers and authority of the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF) so that AAFAF has the responsibility to negotiate, restructure, and reach agreements with creditors on all or part of the public debt or any other debt issued by any Commonwealth entity, including the Authority.

Furthermore, as discussed in Notes 3 and 26 to the financial statements, on May 21, 2017, the Oversight Board, at the request of the Governor, commenced a case on behalf of the Authority by filing a petition for relief under PROMESA Title III in the United States District Court for the District of Puerto Rico. On October 12, 2022, the Authority's POA was confirmed by the Title III court, and became effective on December 6, 2022, under which the Authority restructured its outstanding debt.

To fulfill its responsibilities as a transportation authority, the Authority works closely with the Commonwealth and the FHWA. The following is the support that the Commonwealth and the FHWA will provide to the Authority upon its reorganization:

- The Authority receives an annual allocation of approximately $173 million from FHWA to execute capital projects. This allocation is included in the Fixing America’s Surface Transportation Act Funding (FAST Act) and is projected to further increase by $3 million per year over FY23-27 with the enactment of the Bipartisan Infrastructure Law (BIL). Further to the above, new funding is occasionally made available to the Authority, including Emergency Repair (ER) funds. The Federal-Aid Highway Program (FAHP) is currently the primary source of funding for construction of Puerto Rico highways, roads, bridges, and streets. The FAHP is funded from the transportation user-related revenues deposited in the Federal Highway Trust Fund, primarily federal excise taxes on motor fuels along with excise taxes on tires, trucks and trailers, and truck-use taxes. Furthermore, on March 31, 2014, FHWA approved $756.4 million in toll credits that may be applied toward the non-federal matching share of transit projects. Refer to Note 21.

- To cover the Authority’s projected cash shortfalls, the Commonwealth has budgeted to annually provide operational financial support to the Authority as reported in the Authority’s Certified Fiscal Plan. The average budgeted annual amounts are $117 million and $69 million in operating and CapEx funds, respectively, through fiscal year 2051.

The financial statements presented herein relate solely to the Authority's financial position and results of operations and are not intended to present the financial position of the Commonwealth or the results of its operations or cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

The accounting policies of the Authority conform to generally accepted accounting principles in the United States of America (GAAP), as promulgated in Governmental Accounting Standards Board (GASB) pronouncements.

The Authority's operations are accounted for as a proprietary fund (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the Authority's operations are included in the statement of net deficit. Revenue is recognized in the period in which it was earned, and expenses are recognized in the period in which they were incurred.

The Authority accounts for its operations and financing in a manner similar to private business enterprises. The intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Such accounts and these financial statements have been prepared on the basis that the Authority will continue as a going concern, as a legally separate governmental entity and component unit of the Commonwealth.

Cash and Cash Equivalents

The Authority considers as cash and cash equivalents all highly liquid investments with original maturities within three months or less from the date of purchase.

Receivables

Accounts receivable consist of amounts due from the Commonwealth, which includes unremitted Commonwealth operating transfers, amounts due from Federal programs, government agencies, public corporations, municipalities of the Commonwealth and others. Amounts that are significantly overdue are included in the allowance for doubtful accounts. Receivables are stated net of estimated allowances for uncollectible accounts, which are determined based upon past collection experience and current economic conditions, among other factors.

Investments

The Authority reports investments on the statement of net deficit at fair value and investment income, including changes in the fair value of investments, which are reported as non-operating revenue/(expense) in the statement of revenues, expenses, and changes in net deficit.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses on existing accounts receivable that may become uncollectible based on evaluations of collectability of accounts receivable and prior credit loss experience. Because of uncertainties inherent in the estimation process, management's estimate of credit losses inherent in the existing accounts receivable and related allowance may change in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Cost Basis - Capital assets are recorded at historical cost or acquisition value for donated assets. The cost of property and equipment includes costs for infrastructure assets (rights of way, bridge substructures, highways, and bridges), toll facilities, equipment, and other related costs (including software), buildings, and furniture. Highways and bridge substructures include road subbase, grading, land clearing, embankments, and other related costs. Costs for infrastructure assets include construction costs, design and engineering fees and administrative and general expenses associated with the project.

Capitalization Policy - Infrastructure capital assets (road, bridges, highways, transportation equipment, etc.) are defined by the Authority as assets with an initial, individual cost of more than $500,000 and an estimated useful life of more than one year. Other capital assets, such as equipment, vehicles, etc. are defined by the Authority as assets with an initial individual cost of more than $1,000 and an estimated life of more than two years.

Costs to acquire additional capital assets, which replace existing assets, extend their useful lives, and/or enhance the capital asset's capacity are capitalized.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are expensed as incurred.

Depreciation of Capital Assets - Depreciation is provided using the straight-line method over an estimated useful life of 40 years for new roads, highways and road widenings, 50-59 years for new bridges and transportation systems (including transportation equipment and facilities), 20 years for bridge improvements, 15 years for road resurfacing of freeways and 10 years for equipment, vehicles, and road resurfacing of non-freeways.

Impairment of Capital Assets - The Authority evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage, among others.

The Authority evaluated its capital assets and determined that there was no significant impairment as of June 30, 2022. During the fiscal year 2023, the Authority will perform a structural assessment for the Naranjito Bridge to determine if an impairment loss is necessary.

Lease Receivables

On July 1, 2021, the Authority adopted the provisions of Statement No. 87 of the Governmental Accounting Standards Board, *Leases* (GASB No. 87). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Lease receivables are recorded by the Authority at the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on prevailing market rates as of June 30, 2022, for discounting cash flows based on a 100% cash allocation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service Concession Agreements

The Authority has entered into service concession agreements under which it has transferred the administration and operation of certain infrastructure assets to private organizations in exchange for concession fees. Amounts collected in advance are reported as deferred inflows of resources and are amortized into concession revenue in a systematic and rational manner over the term of the agreements. The assets are still owned by the Authority and, therefore, are reported in the Authority's financial statements. Improvements performed by Metropistas to the transferred assets are capitalized by the Authority. Refer to Note 10 to the financial statements, for additional information regarding the service concession agreements in effect as of June 30, 2022.

Claims and Judgments

The estimated amount of liability for claims and judgments is recorded on the accompanying statement of net deficit based on the Authority's evaluation of the probability of an unfavorable outcome in the litigation of such claims and judgments. The Authority consults with legal counsel upon determining whether an unfavorable outcome is expected. Because of uncertainties inherent in the estimation process, management's estimate of the liability for claims and judgments may change in the future. Refer to Note 21 for additional information regarding the status of the Authority's key litigation as of the date of these financial statements.

Compensated Absences

Compensated absences include paid time off made available to employees in connection with vacation, and sick leave. The liability for compensated absences is reported in the statement of net deficit. A liability for compensated absences is reported in the financial statements only when payment is due. The liability for compensated absences recorded in the accompanying statement of net deficit is limited to leave that is attributable to services already rendered and is not contingent on a specific event.

On April 29, 2017, the Governor signed into law Act No. 26 of 2017 "Law for the Compliance with the Fiscal Plan" which, among other things, changed the vacation and sick leave accrual formula for all government employees. Through the Act, it was established that as of May 1, 2017, all public employees will have the right to accumulate vacation leave at the rate of one and one-fourth days for each month of service. In addition, the payment of sick leave was eliminated when the employee resigns or at the time of separation. New employees accumulate vacation leave retroactively after the first 3 months of employment.

In addition, as of the effective date of the Act, no public employee, whether a union member or not, who works for the Commonwealth in any of its agencies, instrumentalities or public corporations will have the right to receive pay for the liquidation of days in excess of the maximum allowable leave.

Pensions

Since July 1, 2017, the pension obligation of the Employees Retirement System (ERS) was transformed to an unfunded pension trust, where pension obligations are funded on a pay-as-you-go basis. On that date, active employees stopped contributing to ERS and new employees will not become members either. The funding change resulted in the change in accounting principle from GASB 68 – *Accounting and Financial Reporting for Pensions* to GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Under the Commonwealth Plan of Adjustment and Commonwealth Confirmation Order (each as defined and discussed below), a Pension Reserve Trust was created to fund future ERS pension liabilities with an initial funding contribution from the Commonwealth of $5 million on the Commonwealth Effective Date to fund the initial

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

administrative costs and expenses of the Pension Reserve Board. Additional annual Commonwealth contributions will also be made to the Pension Reserve Trust in amounts to be determined each fiscal year in accordance with the terms of the Commonwealth Plan of Adjustment. The Commonwealth Plan of Adjustment and Commonwealth Confirmation Order also prevents the Commonwealth from implementing existing legislation or enacting new legislation within 10 years of the Commonwealth Effective Date that would create or increase any defined benefit pension payment or obligation to current or future retirees without the Title III Court's prior approval.

For purposes of measuring the total pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the total pension liability of the ERS, and changes in total pension liability have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Refer to Note 17 to the financial statements.

Postemployment Benefits Other Than Pensions

The Authority accounts postemployment benefits other than pensions in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Other postemployment benefits other than pensions (OPEB) expense is recognized and disclosed using the accrual basis of accounting. The Authority recognizes the total OPEB liability since the Authority's OPEB program is funded on a pay-as-you-go basis. Changes in the total OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change; recognition occurs in the period the OPEB expense, deferred inflows, or deferred outflows, as applicable, are incurred. Those changes in total OPEB liability that are recorded as deferred inflows or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the average of the remaining service life of all participants including retirees and recorded as a component of OPEB expense, beginning with the period in which they arose. Refer to Note 18 to the financial statements.

Voluntary Termination Benefits

The Authority accounts for voluntary termination benefits in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. Pursuant to the provisions of GASB Statement No. 47, in financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (for example, early retirement incentives) when the offer is accepted, and the amount can be estimated.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net deficit reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net deficit that applies to a future period and will not be recognized as an outflow of resources (expenses) until then. The Authority has three items that qualify for reporting in this category: (i) the deferred loss on advance refunding, (ii) the difference between expected and actual experience, due to changes in assumptions and employer's contribution to the pension plan subsequent to the measurement date of the net pension liability, and (iii) the difference between actual and expected experience related to the OPEB obligation.

In addition to liabilities, the statement of net deficit reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net deficit that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Authority has four items that qualify for reporting in this category: (i) the deferred amounts of service concession agreements, (ii) the difference between actual and expected experience related to OPEB obligations, (iii) the difference between expected and actual

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

experience, changes in assumptions and employer's contribution to the pension plan subsequent to the measurement date of the total pension liability, and (iv) the deferred amount of lease receivable related.

A deferred outflow/inflow of resources related to pension results from differences between expected and actual experience, or changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). Deferred inflows of resources related to the service concession agreement amounted to $1,013.6 million. These amounts are being amortized over the 50-year term of the agreement. Deferred inflows of resources also include pension related amounts of $29.6 million, $504.4 thousand related to OPEB amounts, and $4.4 million related to deferred amounts of the lease receivable. Deferred outflows of resources include pension related amounts of $114.2 million, $1.4 million related to OPEB amounts, and $58.4 million related to the deferred loss on advance refunding.

The Authority's amounts presented as deferred inflows of resources from lease receivables in the Statement of Net Deficit are related to lease agreements where the Authority is the lessor. These deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on the straight-line basis over the term of the lease.

Bond Premiums (Discounts) and Bond Issuance Costs

Bond issuance costs are reported as an expense during the year they are incurred.

Bond discounts and premiums are amortized over the term of the related debt using the effective interest-rate method. Bonds payable are reported net of applicable discounts and premiums.

Amortization related to bond premiums (discounts) was approximately $12.9 million for the fiscal year ended June 30, 2022, and is included as a component of interest expense in the accompanying statements of revenues, expenses, and changes in net deficit.

Debt Refunding

During prior years, the Authority defeased certain bonds related to the issuance of the concession agreements as further discussed in Note 10.

As of June 30, 2022, the outstanding balances of the bonds defeased by the Authority are as follows:

Series BB	$ 22,180,000
Series AA	1,580,000
Series CC (CABS)	1,300,000
Total	$ 25,060,000

Management believes that with the POA approved and deemed effective as of December 6, 2022, all outstanding defeased bonds were discharged on said date, and the related deferred outflows from advance refunding were also charged to operations. For more details, refer to Note 26.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Expense

After the Title III filing under PROMESA, the Authority continued to account for interest on all interest-bearing obligations. On October 12, 2022, the HTA/CCDA PSA and the Authority's POA were confirmed and subsequently became effective on December 6, 2022, by the Title III Court. Refer to Note 26.

Net Deficit

Net deficit is classified in the following four components in the accompanying statement of net deficit:

Net Investment in Capital Assets - This component of net deficit consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net deficit. If there are significant unspent related debt proceeds or deferred inflows of resources at fiscal year end, the portion of the debt or deferred inflows of resources attributable to the unspent amount are not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources is included in the same net deficit component (restricted or unrestricted) as the unspent amount.

Restricted for Debt Service - This component of net deficit consists of restricted assets for payment of principal and interest related to bonds payable. This restriction is imposed by the bondholders through debt covenants.

Restricted for Construction - This component of net deficit consists of restricted assets for the specific purpose of financing construction projects. This restriction is imposed by the grantors and contributors, as well as the bondholders through debt covenants.

Unrestricted deficit - Unrestricted net deficit consists of net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted component of net deficit. As of June 30, 2022, the Authority has an accumulated deficit of approximately $2,606.8 million.

Revenues and Expenses Recognition

The Authority distinguishes operating revenues and expenses from non-operating items. Revenues associated with tolls and train fares are recorded as operating revenues when earned, based on activity reports provided by the toll and train operators, respectively.

Expenses related to the administration and maintenance of toll highways and transportation system, repair and maintenance of roads and bridges, and administrative expenses are recorded as operating expenses. All other revenues and expenses are considered non-operating.

Non-operating revenues consist principally of operating transfers allocated to the Authority by the Commonwealth and U.S. federal government to finance the Authority's operations on capital projects.

Capital and Operating Grants

Capital and operating grants are funds allocated by the federal and local governments, including the FHWA, the Federal Transit Administration (FTA), and the Commonwealth to the Authority for the construction of specific

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

capital projects or infrastructure repairs and maintenance. These are reported as capital and operating grants as required by GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities; (ii) disclosure of contingent assets and liabilities at the date of the financial statements, and (iii) the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Risk Financing

The Authority carries commercial insurance to cover casualty, theft, claims and other losses. The current insurance policies have not been cancelled or terminated. The Authority has not settled any claims for more than its insurance coverage for the fiscal year ended June 30, 2022.

New Accounting Pronouncements

The GASB has issued the following Statements:

- GASB Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), which is effective for periods beginning after December 15, 2021, as per GASB Statement No. 95 provides a single method for government issuers to report conduit debt obligations and related commitments. GASB Statement No. 91 addresses the variation in practice by: clarifying what is a conduit debt obligation; eliminating the option for government issuers to recognize conduit debt obligations, thereby providing a single method of reporting; broadening the definition of conduit debt obligations to include those for which government issuers make related additional commitments, such as guarantees or moral obligation pledges, or voluntarily agree to make debt service payments or request an appropriation for such payments, if necessary; clarifying how government issuers should account for and report commitments they extend or voluntarily provide, and arrangements associated with conduit debt obligations, which often are characterized in practice as leases, but are not leases for financial reporting purposes; and enhancing note disclosures. Although government issuers will no longer report conduit debt obligations as liabilities, they may need to recognize a liability related to commitments they make or voluntarily provide associated with that conduit debt. GASB Statement No. 91 requires a government issuer to recognize a liability if qualitative factors indicate that it is more likely than not that it will support one or more debt service payments for a conduit debt obligation. The Authority is currently evaluating the effect this pronouncement could have on the financial statements.

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* - This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged, but not required. The Authority is currently evaluating the effect this pronouncement could have on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 98, *The Annual Comprehensive Financial Report* - This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

  This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The Authority is currently evaluating the effect this pronouncement could have on the financial statements.

- GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB statement No. 62* - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

  This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in the absence of specific transition provisions in the new pronouncement.

  The net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

  Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

  The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 (FY 2023-2024), and all reporting periods thereafter. Earlier

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

application is encouraged. The Authority is currently evaluating the effect this pronouncement could have on the financial statements.

- GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

  This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

  This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

  This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

  With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Authority is currently evaluating the effect this pronouncement could have on the financial statements.

3. THE PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) AND OTHER LEGISLATION RELATED TO DEBT RESTRUCTURING

The Commonwealth and many of its component units, including the Authority, suffered an economic and fiscal crisis, which caused, among other things, the initiation of financial measures directed to reinstate fiscal and financial stability, including a number of Commonwealth and federal laws that have been passed in recent years. On June 30, 2016, the U.S. Congress enacted PROMESA to address these problems. Thereafter, the Commonwealth and other governmental entities including the Authority, the Puerto Rico Sales Tax Financing Corporation (COFINA), the Employee Retirement System (ERS), the Puerto Rico Electric Power Authority (PREPA), and the Public Building Authority (PBA) initiated proceedings under PROMESA Title III, and the Government Development Bank for

3. THE PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) AND OTHER LEGISLATION RELATED TO DEBT RESTRUCTURING (Continued)

Puerto Rico (GDB), Puerto Rico Infrastructure Financing Authority (PRIFA), and the Puerto Rico Convention Center District Authority (PRCCDA) initiated proceedings under Title VI of PROMESA, each at the request of the then Governor of the Commonwealth, to restructure or adjust their existing debt. The most relevant Commonwealth and federal legislation enacted to address the fiscal crisis and to initiate the economic recovery is as follows:

Overview of PROMESA

In general terms, PROMESA seeks to provide the Commonwealth with fiscal and economic discipline through, among other things: (i) the establishment of the Oversight Board, whose responsibilities include the certification of fiscal plans and budgets for the Commonwealth and its related entities; (ii) a temporary stay of all creditor lawsuits under Title IV of PROMESA; and (iii) two alternative methods to adjust unsustainable debt: (a) a voluntary debt modification process under Title VI of PROMESA, which establishes a largely out-of-court debt restructuring process through which modifications to financial debt can be accepted by a supermajority of creditors; and (b) a quasi-bankruptcy proceeding under PROMESA Title III, which establishes an in-court debt restructuring process substantially based upon incorporated provisions of Title 11 of the United States Code (U.S. Bankruptcy Code). Each of these elements are divided among PROMESA's seven titles, as briefly discussed below.

Title I - Establishment of Oversight Board and Administrative Matters

Upon PROMESA's enactment, the Oversight Board was established for Puerto Rico. As stated in PROMESA, "the purpose of the Oversight Board is to provide a method for a covered territory to achieve fiscal responsibility and access to the capital markets." On August 31, 2016, the President of the United States announced the appointment of the Oversight Board members. Each Oversight Board member is required to have "knowledge and expertise in finance, municipal bond markets, management, law, or the organization or operation of business or government." The Oversight Board was "created as an entity within the territorial government for which it was established" and is expressly not an entity of the federal government, but it was also established to act independently from the Commonwealth government, such that neither the Governor nor the Legislature may "(1) exercise any control, supervision, oversight, or review over the Oversight Board or its activities; or (2) enact, implement, or enforce any statute, resolution, policy, or rule that would impair or defeat the purposes of [PROMESA], as determined by the Oversight Board."

Title II - Fiscal Plan and Budget Certification Process and Compliance

Title II sets forth the requirements for proposing and certifying fiscal plans and budgets for the Commonwealth and its instrumentalities. "Each fiscal plan serves as the cornerstone for structural reforms the Oversight Board deems necessary to ensure the territory, or instrumentality, will be on a path towards fiscal responsibility and access to capital markets."

Only after the Oversight Board has certified a fiscal plan may the Governor submit a fiscal year Commonwealth budget and fiscal year budgets for certain Commonwealth instrumentalities (as approved by the Oversight Board) to the Legislature.

In furtherance of the foregoing duties, PROMESA contains a provision that grants the Oversight Board powers to monitor compliance with certified fiscal plans and budgets and undertake certain actions, including spending reductions and the submission of recommended actions to the Governor that promote budgetary compliance. Refer to the language of PROMESA for a complete description of the Oversight Board's powers related to fiscal plan and budgetary compliance.

3. THE PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) AND OTHER LEGISLATION RELATED TO DEBT RESTRUCTURING (Continued)

Title III - In-Court Restructuring Process

PROMESA Title III establishes an in-court process for restructuring the debts of Puerto Rico and other United States territories that is modeled after the process under Chapter 9 of the U.S. Bankruptcy Code.

The Oversight Board has sole authority to file a voluntary petition seeking protection under PROMESA Title III, subject to the prerequisites therein.

In a Title III case, the Oversight Board acts as the debtor's representative and is authorized to take any actions necessary to prosecute the Title III case. Immediately upon filing the Title III petition, Bankruptcy Code section 362 (which is incorporated into Title III cases under PROMESA) applies to automatically stay substantially all litigation against the debtor (the Title III Stay). A Title III case culminates in the confirmation of a POA of the debts of the debtor. The Oversight Board has the exclusive authority to file and modify a POA prior to confirmation.

Title IV - Temporary Stay of Litigation, Government Reporting, and Other Miscellaneous Provisions

Title IV of PROMESA contains several miscellaneous provisions, including a temporary stay of litigation related to "Liability Claims" relief from certain wage and hour laws, the establishment of a Congressional Task Force on Economic Growth in Puerto Rico (the Task Force), the requirement that the Comptroller General of the United States submit two reports to Congress regarding the public debt levels of the U.S. territories, and expansion of the federal government's small business HUBZone program in Puerto Rico.

Pursuant to PROMESA section 405, the enactment of PROMESA immediately and automatically imposed a temporary stay (the Title IV Stay) from June 30, 2016 (the date of PROMESA's enactment) through February 15, 2017, of all "Liability Claim" litigation commenced against the Commonwealth and its instrumentalities after December 18, 2015. A "Liability Claim" is defined as any right to payment or equitable remedy for breach of performance related to "a bond, loan, letter of credit, other borrowing title, obligation of insurance, or other financial indebtedness for borrowed money, including rights, entitlements, or obligations whether such rights entitlements, or obligations arise from contract, statute, or any other source of law related [thereto]" for which the Commonwealth or one of its instrumentalities was the issuer, obligor, or guarantor and such liabilities were incurred prior to June 30, 2016. The Title IV Stay was subject to a one time 75-day extension by the Oversight Board or a onetime 60-day extension by the United States District Court. On January 28, 2017, the Oversight Board extended the Title IV Stay by 75 days to May 1, 2017, at which time the Title IV Stay expired.

Title IV of PROMESA required several federal government reports. First, PROMESA established the Task Force within the legislative branch of the U.S. federal government. The Task Force submitted its report to Congress on December 20, 2016.

Second, PROMESA required the U.S. Comptroller General, through the Government Accountability Office (GAO), to submit a report to the House and Senate by December 30, 2017, regarding: (i) the conditions that led to Puerto Rico's current level of debt; (ii) how government actions improved or impaired its financial condition; and (iii) recommendations on new fiscal actions or policies that the Commonwealth could adopt. The GAO published this report on May 9, 2018.

Third, PROMESA required the U.S. Comptroller General, through the GAO, to submit to Congress by June 30, 2017, a report on public debt of the U.S. territories. In addition to its initial report, the GAO must submit to Congress updated reports on the public debt at least once every two years. The GAO published its initial report on October 2, 2017. On June 30, 2021, the GAO published its latest biannual report on the public debt of the U.S. territories.

3. THE PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) AND OTHER LEGISLATION RELATED TO DEBT RESTRUCTURING (Continued)

Title V - Infrastructure Revitalization

Title V of PROMESA establishes the position of Revitalization Coordinator under the Oversight Board and provides a framework for infrastructure revitalization through an expedited permitting process for "critical projects" as identified by the Revitalization Coordinator.

Title VI - Consensual, Out-of-Court Debt Modification Process

Title VI of PROMESA establishes an out of court process for modifying Puerto Rico's debts. Under PROMESA section 601(d), the Oversight Board is authorized to establish "pools" of bonds issued by each Puerto Rico government related issuer based upon relative priorities. After establishing the pools, the government issuer or any bondholder or bondholder group may propose a modification to one or more series of the government issuer's bonds. If a voluntary agreement exists, the Oversight Board must issue a certification and execute a number of additional processes in order to qualify the modification.

Finally, the United States District Court for the District of Puerto Rico must enter an order approving the

Qualifying Modification and vesting in the issuer all property free and clear of claims in respect of any bonds.

Title VII - Sense of Congress

Title VII of PROMESA sets forth the sense of Congress that "any durable solution for Puerto Rico's fiscal and economic crisis should include permanent, pro-growth fiscal reforms that feature, among other elements, a free flow of capital between territories of the United States and the rest of the United States."

Commonwealth Legislation and Other Fiscal Measures

Act No. 2-2017, the *Puerto Rico Fiscal Agency and Financial Advisory Authority Act*, was enacted to expand AAFAF's powers and authority (as initially established under the Moratorium Act) so that AAFAF has the sole responsibility to negotiate restructure and reach agreements with creditors on all or part of the public debt or any other debt issued by any Commonwealth entity. AAFAF is also responsible for the collaboration, communication, and cooperation efforts between the Commonwealth and the Oversight Board under PROMESA. In addition, Act No. 2-2017 established AAFAF as the Commonwealth entity responsible for carrying out the roles inherited from the GDB along with additional duties and powers, which include, among other things: (i) oversight of the Commonwealth budget; (ii) an administrative presence on every board or committee where the GDB president was a member at that time; (iii) authority to conduct audits and investigations; and (iv) authority to freeze budgetary items, appoint trustees, redistribute human resources, and change procedures.

Confirmation and Effective Date of the Commonwealth Plan of Adjustment

On January 18, 2022, the Title III Court entered its findings of fact and conclusions of law in connection with the Commonwealth Plan of Adjustment. On March 15, 2022, the conditions precedent to the effective date of the Commonwealth Plan of Adjustment were satisfied and/or waived by the Oversight Board, and the plan became effective. Accordingly, the Commonwealth Plan of Adjustment has been confirmed and is currently effective as of the date hereof.

A critical component of the Commonwealth Plan of Adjustment is the post-effective date issuance of contingent value instruments (CVIs) that provide recoveries to holders of claw back claims against the Commonwealth,

3. THE PUERTO RICO OVERSIGHT, MANAGEMENT, AND ECONOMIC STABILITY ACT (PROMESA) AND OTHER LEGISLATION RELATED TO DEBT RESTRUCTURING (Continued)

including the Authority's debt to the GDB DRA. The CVIs were issued on December 6, 2022, when the Authority's POA was deemed effective by the Title III Court. Refer to Note 26 for additional information.

The Authority's Title III Case

On May 21, 2017, the Oversight Board, at the request of the Governor, commenced a Title III case on behalf of the Authority by filing a petition for relief under PROMESA Title III in the United States District Court for the District of Puerto Rico. As more fully disclosed in Note 26, the Authority's POA was confirmed on October 12, 2022, and became effective on December 6, 2022. However, as more fully disclosed in Note 21, under the Title III claims process, approximately $83.1 billion in claims were filed. As of the date these financial statements were issued, some claims had been withdrawn, resolved, or expunged by an omnibus objection withdrawn or expunged by an omnibus objection. The validity of the remaining claims has not yet been determined and such claims remain subject to the claim reconciliations process. However, most of these claims fall into the General Unsecured Claims class, for which $48 million have been apportioned in the POA for the full settlement of this class of claims.

4. CASH

Cash on June 30, 2022, consisted of (excluding restricted cash):

Cash on hand and in banks	$ 21,507,538

Cash and cash equivalents include certificates of deposit with local commercial banks. Certificates of deposit with the Economic Development Bank (EDB) in the total aggregate amount of $5.9 million as of June 30, 2022, were recognized as impaired in prior years, as further described in Note 8 to the financial statements.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable as of June 30, 2022, consisted of:

Government, agencies and other, excluding the Commonwealth	$ 58,707,645
Rent receivables	5,556,422
Repairs to highways recoverable from users	1,571,646
Toll escrow agent	12,914,300
Other	6,533,282
Total	85,283,295
Less allowance for doubtful accounts	(68,672,906)
Accounts receivable, net	$ 16,610,389

Toll Collection System Cyberattack

On April 16, 2022, the privately operated toll collection system was affected by a cyberattack. This attack affected the mobile application, the collection systems at toll stations, and the website. After the system was reestablished by the private operator, the Authority was able to recognize a balance due from the toll users of $7.6 million, of which approximately $2.4 million remained uncollected as of the date of issuance of the financial statements.

5. ACCOUNTS RECEIVABLE, NET (Continued)

Due from Commonwealth of Puerto Rico, net

Current balances due by the Commonwealth amounting to $23.6 million, were collected as of the date of issuance of the financial statements.

6. RESTRICTED CASH, CASH EQUIVALENTS, AND INVESTMENTS WITH TRUSTEE

Restricted cash, cash equivalents, and investments with trustee as of June 30, 2022, consisted of:

Cash in banks	$ 128,010,166

Investments with trustee:	
Mutual funds and money market funds	$ 85,528,437
US government securities	6,840,000
Total	$ 92,368,437

As part of the HTA/CCDA PSA and the Authority's POA, as more fully disclosed in Note 26, as part of the HTA/CCDA PSA, these investments were liquidated and the net proceeds will be used to offset part of an expected down payment to PSA Creditors, including an additional payment for consummation costs related to the negotiation and execution of the HTA/CCDA PSA.

7. FAIR VALUE MEASUREMENTS

The Authority follows GASB Statement No. 72, *Fair Value Measurement and Application*. The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. GASB Statement No. 72 sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 - Inputs to the valuation methodology include adjusted quoted market prices for similar assets or liabilities in active markets; adjusted quoted prices for identical or similar assets in active markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for the full term of the asset or liability. For investments classified within Level 2 of the fair value hierarchy, the Authority's custodians generally use a multidimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

7. FAIR VALUE MEASUREMENTS (Continued)

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgment by the Authority's management. The Authority's management considers observable data to be market data that is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to management's perceived risk for that investment. The Authority has the following recurring fair value measurements as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Debt Securities:				
U.S. Government Obligations	$ -	$ 6,840,000	$ -	$ 6,840,000
Mutual funds	52,581,147	-	-	52,581,147
Total	$ 52,581,147	$ 6,840,000	$ -	59,421,147
Investments valued at net asset value or amortized cost:				
Money market funds				32,947,290
Total investments				$ 92,368,437

The Authority does not hold any investments that are measured using Level 3 inputs.

8. DEPOSITS AND INVESTMENTS

The Authority is restricted by law from depositing funds only in financial institutions approved by the DOT, and such deposits are required to be kept in separate accounts in the name of the Authority.

Custodial Credit Risk – Deposits

For deposits, custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be recoverable. Under Commonwealth law, public funds deposited in commercial banks must be fully collateralized for the amount deposited in excess of federal depository insurance.

All monies deposited with the Trustee or any other depository institution hereunder in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency are continuously secured by lodging with a bank or trust company approved by the Authority and by the Trustee as custodian, or, if then permitted by law, by setting aside under control of the trust department of the bank holding such deposit, as collateral security, Government Obligations or other marketable securities.

As of June 30, 2022, the Authority's deposits maintained in commercial banks are as follows:

	Unrestricted		Restricted	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Commercial banks	$ 21,507,538	$ 21,259,933	$ 128,010,166	$ 128,010,376

8. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk Loss on Economic Development Bank (EDB)

The Authority has certificates of deposit with EDB in the total aggregate amount of approximately $5.9 million as of June 30, 2022. Management believes that EDB faces significant risks and uncertainties, and it currently lacks sufficient liquidity to meet obligations when they come due. As a result, all certificates of deposit held with EDB were recognized as impaired in prior years.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that in the event of the failure of the counterpart, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Interest-Rate Risk

Interest-rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes to market interest rate. This risk was eliminated upon the liquidation of the investments, subsequent to June 30, 2022.

Maturities of investments with the trustee as of June 30, 2022, were as follows:

	Less than One Year	One to Five Years	Total
Mutual Funds	$ 52,581,147	$ -	$ 52,581,147
Money market funds	32,947,290	-	32,947,290
U.S. Government Obligations	-	6,840,000	6,840,000
Total	$ 85,528,437	$ 6,840,000	$ 92,368,437

9. CAPITAL ASSETS

The following schedule summarizes the capital assets, held by the Authority as of June 30, 2022:

	Balance at June 30, 2021, as restated	Increases	Decreases	Balance at June 30, 2022
Assets not being depreciated				
Land	$ 1,949,616,135	$ 13,654,111	$ (4,449,616)	$ 1,958,820,630
Construction in progress	508,883,781	183,306,505	(194,522,277)	497,668,008
Total Assets not being depreciated	2,458,499,916	$ 196,960,616	$ (198,971,893)	2,456,488,638
Assets being depreciated				
Transportation system	2,419,375,826	-	(2,345,583)	2,417,030,243
Roads	13,479,795,337	158,022,074	(10,180,369)	13,627,637,042
Bridges	3,620,432,971	22,773,404	(324,317)	3,642,882,058
Equipment vehicles and other	123,200,491	1,454,592	-	124,655,083
Total	19,642,804,625	182,250,070	(12,850,269)	19,812,204,426
Less accumulated depreciation	(13,449,612,114)	(487,759,254)	1,033,246	(13,936,338,122)
Total Assets being depreciated	6,193,192,511	(305,509,184)	(11,817,023)	5,875,866,304
Total capital assets, net	$ 8,651,692,427	$ (108,548,568)	$ (210,788,916)	$ 8,332,354,942

10. HIGHWAYS AND BRIDGE UNDER SERVICE CONCESSION AGREEMENTS

Highways and bridge under Service Concession Agreements as of June 30, 2022, is summarized as follows:

	Balance at June 30, 2021	Increases	Decreases	Balance at June 30, 2022
Toll roads (PR 5 and PR 22)	$ 310,362,533	$ -	$ -	$ 310,362,533
Toll roads concession improvements	51,173,315	2,760,236	-	53,933,551
Teodoro Moscoso bridge	109,500,000	-	-	109,500,000
Total	471,035,848	2,760,236	-	473,796,084
Less accumulated depreciation	(274,836,991)	(1,697,249)	-	(276,534,240)
Total	$ 196,198,857	$ 1,062,987	$ -	$ 197,261,844

Toll Road Service Concession Agreement (PR-5 and PR-22)

On September 22, 2011, the Authority entered into the Toll Road Service Concession Agreement with Metropistas, in which the Authority granted the right to operate PR-5 and PR-22 highways (the Toll Roads) for a period of 40 years. During the 40-year term, Metropistas will have the right to charge and collect the tolls imposed on the Toll Roads.

10. HIGHWAYS AND BRIDGE UNDER SERVICE CONCESSION AGREEMENTS (Continued)

The Authority received an upfront concession fee payment of $1,136 million, of which approximately $873.1 million was used to redeem or defease bonds issued and outstanding associated with the Toll Roads.

The Authority recorded a deferred inflow of resources from the Toll Road Service Concession Agreement of $1,136 million that is being amortized and recognized as revenue over the 40-year term of the agreement. Amortization expense for the year ended June 30, 2022, amounted to $24.7 million. The Toll Roads (capital assets) will continue to be reported in the statement of net deficit as a separate item as highways and bridge under service concession agreements. As of June 30, 2022, the total aggregate amount of the Toll Roads capital assets was approximately $144.6 million, net of accumulated depreciation. Toll Roads depreciation was suspended on September 22, 2011, until the expiration of the Toll Road Service Concession Agreement because the agreement requires Metropistas to return the Toll Roads to the Authority in their original or an enhanced condition.

On April 19, 2016, the Authority entered into an amendment of the Toll Road Service Concession Agreement to extend the original term for ten additional years and to create five bidirectional tolling points on the Toll Roads. The Authority received an upfront concession fee payment of $100 million, which was used to pay $18.2 million of the Authority's current debt and $79.8 million was transferred to the Commonwealth in fiscal year 2016. Also, in June 2017, the Authority received an additional $15 million payment concurrently with the commencement of the bidirectional system described above.

In addition, the Authority capitalized and considered as deferred inflows of resources $2.8 million during the fiscal year ended June 30, 2022, for improvements made by Metropistas to the Toll Roads.

Bridge Service Concession Agreement

On December 20, 1992, the Authority and Autopistas entered into the Bridge Service Concession Agreement for the design, construction, operation and maintenance of the Teodoro Moscoso Bridge, a toll bridge, which crosses the San Jose Lagoon between the municipalities of San Juan and Carolina. Autopistas designed and constructed the Bridge and commenced operating the Teodoro Moscoso Bridge on February 23, 1994 (valuation date). The initial term of this agreement was 35 years, expiring on April 3, 2027. On September 9, 2009, the agreement was amended to extend its term to 50 years (2044).

Upon the implementation of GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, on June 30, 2013, the Authority recognized the Teodoro Moscoso Bridge at fair value, equivalent to what the Authority might have paid to have the Teodoro Moscoso Bridge constructed (replacement cost) at valuation date. The replacement cost was determined to be $109.5 million depreciated over an estimated useful life of 59 years. The asset balance related to the Teodoro Moscoso Bridge was adjusted to recognize the first 17 years of operations and the remaining amortization balance will be amortized over 42 years. The Teodoro Moscoso Bridge is being depreciated because, in the opinion of management, the Bridge Service Concession Agreement does not require Autopistas to return the Teodoro Moscoso Bridge in its original condition. As of June 30, 2022, the net book value of the Teodoro Moscoso Bridge was $52.6 million.

The Bridge Service Concession Agreement, as amended, requires Autopistas to pay 5% of the annual toll revenues to the Authority until February 22, 2027, then 61.5% of such revenues from February 23, 2027, through the end of the agreement. During the fiscal year ended June 30, 2022, Autopistas paid the Authority approximately $2.7 million related to the toll revenues.

On October 22, 2003, the Authority issued term and capital appreciation bonds in the total aggregate amount of approximately $153.2 million (the 2003 Bonds). The proceeds of these bonds were used to refund, in advance, the bonds previously issued in 1992 to finance the construction of the Teodoro Moscoso Bridge.

10. HIGHWAYS AND BRIDGE UNDER SERVICE CONCESSION AGREEMENTS (Continued)

The activity of the bonds during the fiscal year ended June 30, 2022, as recorded in the accompanying financial statements is as follows:

	Balance at June 30, 2021	Increases / Accretions	Payments / Amortization	Balance at June 30, 2022
Term bonds	$ 44,940,000	$ -	$ (2,920,000)	$ 42,020,000
Capital appreciation bonds	44,600,479	2,104,040	(10,315,000)	36,389,519
Total	$ 89,540,479	$ 2,104,040	$ (13,235,000)	$ 78,409,519

Under the terms of the Bridge Service Concession Agreement, Autopistas is responsible for the debt service payment on the bonds unless the agreement is terminated as specified in the Bridge Service Concession Agreement. Because the bonds are being paid by Autopistas, the Authority records concession revenue for the amount of principal and interest paid by Autopistas annually until settlement. Therefore, the Authority recorded concession revenue in the total aggregate amount of $15.7 million during the fiscal year ended June 30, 2022, which represents the principal and interest payments on bonds made by Autopistas.

Under certain circumstances, including if minimum toll revenues are not achieved, the Bridge Service Concession Agreement may be terminated, and the Authority is then obligated to assume all of Autopistas' obligations to pay the principal of, and interest on, the bonds outstanding, which pursuant to the Loan Agreement will be paid from the net revenues of the use and operation of the Teodoro Moscoso Bridge. Although Autopistas currently has the ability to terminate the Bridge Service Concession Agreement and have the Authority assume its obligations, the Authority has not received such notice and does not currently expect the Bridge Service Concession Agreement to terminate.

The deferred inflows of resources in the total aggregate amount of approximately $1,013.6 million, as of June 30, 2022, were related to the Toll Roads Concession Agreement. The deferred inflows related to the Toll Roads Concession Agreement significantly reduce the net deficit for net investment in capital assets by $1,013.6 million as of June 30, 2022.

11. LEASES RECEIVABLE

The Authority is a lessor in various executed lease agreements related to several buildings and land parcels through fiscal year 2046. The Authority recognized a lease receivable and deferred inflows of resources for such leases under paragraph 44 of GASB No. 87 for an aggregate amount of $5.1 million as of July 1, 2021.

Lease revenue and interest revenue recognized on these leases was $695,767 and $128,307, respectively for the year ended June 30, 2022. The interest rates on these leases range from 2.55% to 3.0%.

12. ACCOUNTS PAYABLE

Accounts payable as of June 30, 2022, consisted of:

Due to Government and other agencies	$	19,655,211
Due to U.S. federal government		2,602,889
Other customers		20,422,012
Total accounts payable		42,680,112
Current portion		(34,297,866)
Prepetition liability - accounts payable	$	8,382,246

13. ACCRUED AND OTHER LIABILITIES

Accrued and other liabilities as of June 30, 2022, consisted of:

Accrued vacations (less than one year)	$	1,470,659
Termination benefits (less than one year)		4,772,779
Pension liability (less than one year)		32,000,000
Other postemployment benefits liabilities (less than one year)		1,200,000
Others		4,279,534
Total accrued and other liabilities		43,722,972
Current portion		(39,701,604)
Prepetition liability - accrued and other liabilities	$	4,021,368

14. BONDS PAYABLE

On May 5, 2021, the Authority executed the HTA/CCDA PSA to exchange the outstanding bonds, together with the GDB Debt Recovery Authority Obligation (disclosed in Note 16), for a combination of bonds to be issued by the Authority, contingent value instruments to be issued by the Commonwealth, and certain cash consideration to be paid at the time of the exchange. As explained in Note 26, the Agreement was confirmed and considered effective by the Title III Court on December 6, 2022, reducing the Authority's bonds payable obligations to $1,245 million, which will be payable in forty years, at 5%.

The newly issued bonds are expected to begin interest amortization during the fiscal year 2022-2023, and principal amortization will commence two years later. Therefore, a current portion presentation is not required. As of the date these financial statements were issued, the amortization tables had been prepared. If the Authority is able to privatize the toll roads not previously privatized, the proceeds of the privatization will be used to defray these liabilities. In the event the Authority is not able to privatize the toll roads, based on the Authority's approved Certified Fiscal Plan projections, the Authority may lack sufficient resources to settle these bonds as they become due, without additional financial support of the Commonwealth. Therefore, the historical information of the bonds, as presented in this note is substantially stale, and should only be read for informative purposes only.

14. BONDS PAYABLE (Continued)

The Bond Resolutions historically authorized the Authority to issue revenue bonds to raise funds for the construction and related costs of transportation facilities. As of June 30, 2022, bonds outstanding under the Bond Resolutions, were as follows:

RESOLUTION 1968-18	
Serial bonds, maturing through 2034, with interest ranging from 3.30% to 6.50%	$ 396,390,000
Term bonds, maturing through 2039, with interest ranging from 4.00% to 6.00%	393,095,000
Capital appreciation bonds, maturing through 2026, with interest ranging from 4.36% to 4.58%	33,503,283
Total Resolution 68-18	822,988,283
RESOLUTION 1998-06	
Serial bonds, maturing through 2037, with interest ranging from 2.25% to 5.75%	1,186,895,000
Term bonds, maturing through 2046, with interest ranging from 2.25% to 5.75%	1,842,045,000
Variable rate bonds held by the GDB Debt Recovery Authority	200,000,000
Capital appreciation bonds, maturing through 2026, with interest ranging from 4.47% to 5.08%	81,264,404
LIBOR based interest rate bonds maturing through 2045	700,000
Consumer Price Index based interest rate bonds maturing through 2028	57,965,000
Total Resolution 1998-06	3,368,869,404
Total bonds outstanding	4,191,857,687
Add: Net unamortized premium	169,297,184
Net bonds payable	$ 4,361,154,871

For variable interest-rate bonds included above, the debt service requirements were computed assuming current interest rates remain the same for their remaining term. As rates vary, variable-rate bond interest payments will vary.

The conditional allocation of gasoline, oil, diesel, and petroleum taxes to the Authority for repayment of the Bonds will no longer be made as the statutes that authorized such allocations have been preempted by the Commonwealth Plan of Adjustment and such conditional allocation discharged.

14. BONDS PAYABLE (Continued)

The variable rate bonds bear interest at an annual rate of interest (not to exceed the maximum legal rate) as determined by the remarking agent on and as of the rate determination date. This rate will be, in the judgment of the remarking agent under existing current market conditions, the rate that would result in the sale of the outstanding variable interest bonds at a price equal to the purchase price as defined in the bond offering. The effective rate of these bonds was 12%, as of June 30, 2022.

The Series N LIBOR Bonds bear interest from their date of delivery at a per annum rate for each period equal to (a) 67% of the Three-Month LIBOR Rate for such period plus (b) a per annum spread equal to 0.53%. In each case the LIBOR based interest rate cannot exceed the maximum rate permitted under Puerto Rico law (currently 12%). The effective rate on these bonds was 1.64%, as of June 30, 2022.

Interest on the Consumer Price Index (CPI) Bonds were to be paid on the first business day of each month commencing on July 2, 2007. The CPI Rate, which will be reset monthly, is an interest rate based on changes in the CPI and cannot exceed the maximum rate permitted under the Puerto Rico law (currently 12%). The effective rate on these bonds was 3.17%, as of June 30, 2022.

The Authority's bonds payable are subject to arbitrage regulations issued by the Internal Revenue Service of the United States of America, which require the payment of a rebate to the United States federal government of excess investments earnings on tax-exempt debt proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt debt issued. Excess earnings must be rebated every five years or upon maturity of the debt, whichever is earlier. Arbitrage calculations resulted in no liability as of June 30, 2022.

Long-term debt activity for the fiscal year ended June 30, 2022, was as follows:

	Balance at June 30, 2021	Increases / Accretions	Payments / Amortization	Balance at June 30, 2022	Due within One Year
Serial bonds					
Resolution 1968-18	$ 396,389,997	$ -	$ -	$ 396,389,997	$ -
Resolution 1998-06	1,186,895,000	-	-	1,186,895,000	-
Total	1,583,284,997	-	-	1,583,284,997	-
Term bonds					
Resolution 1968-18	393,095,000	-	-	393,095,000	-
Resolution 1998-06	1,842,045,000	-	-	1,842,045,000	-
Total	2,235,140,000	-	-	2,235,140,000	-
Variable rate bonds					
Resolution 1998-06	200,000,000	-	-	200,000,000	-
CPI based interest-rate bonds					
Resolution 1998-06	57,965,000	-	-	57,965,000	-
LIBOR based interest-rate bonds					
Resolution 1998-06	700,000	-	-	700,000	-
Capital appreciation bonds					
Resolution 1968-18	32,079,630	1,423,656	-	33,503,286	
Resolution 1998-06	81,264,404	-	-	81,264,404	-
Total	113,344,034	1,423,656	-	114,767,690	-
Total before bond premium	4,190,434,031	1,423,656	-	4,191,857,687	-
Add net bond premium amortization	182,147,385	-	(12,850,201)	169,297,184	-
Total bonds outstanding	$ 4,372,581,416	$ 1,423,656	$ (12,850,201)	$ 4,361,154,871	$ -

14. BONDS PAYABLE (Continued)

The outstanding bonds as of June 30, 2022, require future payments of principal and interest as follows:

Fiscal Years ended June 30,	Principal	Interest	Total
2023 (including amounts in arrears)	$ 824,994,399	$ 1,177,325,652	$ 2,002,320,051
2024	150,133,294	185,774,044	335,907,338
2025	157,073,590	178,396,853	335,470,443
2026	164,340,862	170,637,788	334,978,650
2027	171,950,045	162,589,824	334,539,869
2028-2031	894,525,492	688,899,123	1,583,424,615
2032-2036	1,083,095,000	444,677,919	1,527,772,919
2037-2041	671,760,000	178,693,079	850,453,079
2042-2046	73,985,005	31,456,845	105,441,850
Total	**$ 4,191,857,687**	**$ 3,218,451,127**	**$ 7,410,308,814**

Bonds defaults

Upon the filing for relief under PROMESA Title III, as disclosed in Note 3, through June 30, 2022, the Authority stayed all debt service, other than the Teodoro Moscoso bonds. However, payments under bonds covered by monoline insurance may have been paid by such insurers.

Fiscal Year Ended June 30,	Total defaults still outstanding	Subrogated monoline insurance company payments	Total defaults not subrogated by insurance
2017			
Principal	$ 3,110,000	$ 3,110,000	$ -
Interest	2,509,625	245,125	2,264,500
2018			
Principal	122,885,000	107,805,000	15,080,000
Interest	247,524,261	112,581,380	134,942,881
2019			
Principal	128,035,000	112,235,000	15,800,000
Interest	242,089,354	119,320,846	122,768,508
2020			
Principal	127,101,793	72,745,000	54,356,793
Interest	241,459,632	113,186,409	128,273,223
2021			
Principal	130,568,151	58,260,000	72,308,151
Interest	220,195,928	89,531,758	130,664,170
2022			
Principal	145,493,895	50,820,000	94,673,895
Interest	181,882,019	86,707,190	95,174,829
Total	$ 1,792,854,658	$ 926,547,708	$ 866,306,950

14. BONDS PAYABLE (Continued)

The debt service requirements not paid as referred to in the previous paragraph are insured by different insurance companies; Ambac Assurance Corporation ("AMBAC"), Financial Guaranty Insurance Company ("FGIC"), Assured Guaranty Insurance (“ASSURED”), MBIA Inc. (“MBIA”), AAC Insurance Group (“AAC”) and CDC IXIS Financial Guaranty North America, Inc. ("CIFG N/A"). Ambac, Assured, MBIA and AAC have been covering their share of the debt service requirements on the bonds series covered by their corresponding insurance policies. FGIC has been subject to a Rehabilitation Plan and has been paying their corresponding portions based on an established percentage of debt service that has ranged from 25% in fiscal year 2017 to 38.5% through October 13, 2019. Beginning on October 13, 2019, the debt service percentage coverage is 43.5%. However, the amount paid by FGIC was not fully disclosed to the Authority’s trustee. Even though these insurance companies have been paying principal and interest on such bonds, such payments do not constitute a reduction in the Authority’s debt. Upon insurance companies’ payments, they become the owner of the surrendered Bond Obligations and are fully subrogated to all the Bondholder Rights to payments.

15. BONDS PAYABLE - TEODORO MOSCOSO

On October 22, 2003, the Authority issued term and capital appreciation bonds in the total aggregate amount of approximately $153.2 million (the 2003 Bonds). The proceeds of these bonds were used to refund, in advance, the bonds previously issued in 1992 to finance the construction of the Teodoro Moscoso Bridge.

Bonds outstanding under the Bond Resolutions as of June 30, 2022, are as follows:

Term bonds, maturing through 2027 with interest ranging from 5.55% to 5.85%	$ 42,020,000
Capital appreciation bonds, maturing through 2026 with interest ranging from 5.90% to 6.15%	36,389,519
Total Teodoro Moscoso bonds	78,409,519
Less: Current portion	13,440,001
Long-term portion	$ 64,969,518

Debt Maturities

The following schedule has been presented in accordance with original terms of the bonds payable. The outstanding bonds as of June 30, 2022, require future payments of principal and interest as follows:

Fiscal years ended June 30,	Principal	Interest	Total
2023	$ 13,440,001	$ 2,170,644	$ 15,610,645
2024	13,662,749	1,776,938	15,439,687
2025	15,403,655	1,294,606	16,698,261
2026	17,178,153	690,008	17,868,161
2027	11,699,961	410,962	12,110,923
2028	7,025,000	-	7,025,000
Total	**$ 78,409,519**	**$ 6,343,158**	**$ 84,752,677**

15. BONDS PAYABLE -TEODORO MOSCOSO (Continued)

Autopistas is currently paying the scheduled interest and principal payments for these bonds in accordance with the service concession agreement. Refer to Note 10.

16. DEBT TO THE GDB DEBT RECOVERY AUTHORITY

The Authority had various expired unsecured of credit with the GDB, which were transferred to the GDB Debt Recovery Authority (GDB DRA), on November 29, 2018, pursuant to the GDB Qualifying Modifications of certain nonrevolving Lines of credit bearing interest at variable rates plus a margin of 150 basis points or a 6.00% floor ($1,232.9 million computed at Daily/360 and $500.8 million computed at 30/360). The total aggregate amount outstanding was approximately $1,733.7 million as of June 30, 2022, plus accrued and unpaid interest of $978.4 million.

On May 5, 2021, the Authority executed the HTA/CCDA PSA, which became effective on December 6, 2022. Under the HTA/CCDA PSA, as of the effective date, all obligations of the Authority to the GDB DRA, including interest, were discharged, and assumed by the Commonwealth. The Commonwealth issued certain contingent value instruments (CVIs) in favor of the GDB DRA. Refer to Note 26.

17. PUERTO RICO GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

Before July 1, 2017, the Authority was a participating employer in the retirement plans administered by the Employees' Retirement System of the Commonwealth of Puerto Rico (ERS). However, on September 30, 2016, ERS was designated by the Oversight Board as a Covered Territorial Instrumentality under PROMESA. On May 21, 2017, the Oversight Board filed a petition for relief under PROMESA Title III for ERS in the United States District Court for the District of Puerto Rico, commencing a Title III case for ERS. On June 15, 2017, the United States Trustee appointed an Official Committee of Retired Employees in the Commonwealth's Title III cases. On January 18, 2022, the Title III Court confirmed the Commonwealth Plan of Adjustment, which includes the restructuring of ERS's outstanding debts and other financial obligations. The Commonwealth Plan of Adjustment became effective on March 15, 2022.

Under the Commonwealth Plan of Adjustment and Commonwealth Confirmation Order, a Pension Reserve Trust was created to fund future ERS pension liabilities with an initial funding contribution from the Commonwealth of $5 million on the Commonwealth Effective Date to fund the initial administrative costs and expenses of the Pension Reserve Board. Additional annual Commonwealth contributions will also be made to the Pension Reserve Trust in amounts to be determined each fiscal year in accordance with the terms of the Commonwealth Plan of Adjustment. The Commonwealth Plan of Adjustment and Commonwealth Confirmation Order also prevent the Commonwealth from implementing existing legislation or enacting new legislation within 10 years of the Commonwealth Effective Date that would create or increase any defined benefit pension payment or obligation to current or future retirees without the Title III Court's prior approval.

PayGo Pension Reform

On June 27, 2017, the DOT issued Circular Letter No. 1300-46-17 to convey to the central government agencies, public corporations, and municipalities the new implementation procedures to adopt, effective July 1, 2017, a new "pay-as-you-go" (PayGo) system, in which ERS and the Commonwealth's other retirement systems stopped receiving contributions from employers or plan participants and are no longer managing contributions on behalf of participants. Since fiscal year 2018, employers' contributions, contributions ordered by special laws, and the additional uniform contribution were all eliminated.

17. PUERTO RICO GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (Continued)

On August 23, 2017, the Governor signed into law Act No. 106 of 2017, known as the *Act to Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants* (Act 106- 2017), which provides the legal framework for the Commonwealth to implement the PayGo system effective as of July 1, 2017. Under the PayGo system, the Commonwealth's General Fund makes direct pension payments to the pensioners and then gets reimbursed for those payments by the applicable participating employers, including the Authority. The Commonwealth allocation percentages are based on the ratio of each participating entity's actual benefit payments relative to the total aggregate benefit payments made by all participating entities for the year ending on the measurement date. Approximately $2 billion was allocated for these purposes in each of the Commonwealth's budgets for fiscal year 2022. The Commonwealth Plan of Adjustment preserves all accrued pension benefits for current retirees and employees at the ERS.

Act 106-2017, among other things, amended Act No. 447 with respect to the ERS's governance, funding, and benefits for active members of the actual program and newly hired members. Under Act 106-2017, the ERS' Board of Trustees was eliminated, and a new retirement board was created (the Retirement Board), which is currently responsible for governing all Commonwealth Retirement Systems.

Act 106-2017 terminated the previously existing pension programs for ERS participants as of June 30, 2017, and created a new defined contribution plan (PRGERS) for existing active members and new employees hired on or after July 1, 2017. This plan is similar to a 401(k) and is managed by a private entity. Future benefits will not be paid by the ERS. Under the New Defined Contribution Plan, members of the prior programs and new government employees hired on and after July 1, 2017, will be enrolled in the New Defined Contributions Program. As of June 22, 2020, the accumulated balance on the accounts of the prior pension programs the programs were transferred to the individual member accounts in the PRGERS. Act 106-2017 also ordered a suspension of the ERS' loan programs and ordered a merger of the administrative structures of the Commonwealth's retirement systems. At the Retirement Board's discretion, the administration of benefits under the new Defined Contribution Plan may be managed by a third-party service provider. In addition, Act 106-2017 repealed the Voluntary Early Retirement Law, Act No. 211 of 2015, while creating incentives, opportunities, and retraining program for public workers.

Plan Description Prior to July 1, 2017

This summary of ERS' pension plan provisions is intended to describe the essential features of the plan before the enactment of Act 106-2017. It should be noted that all eligibility requirements and benefit amounts shall be determined in strict accordance with the applicable law and regulations, and these benefits were not changed or amended with the enactment of Act 106-2017.

For employees who became ERS members prior to July 1, 2013, ERS operated under the following three benefit structures:

- Act No. 447 of May 15, 1951 (Act No. 447), effective on January 1, 1952, for members hired up to March 31, 1990;
- Act No. 1 of February 16, 1990 (Act No. 1), for members hired on or after April 1, 1990, and ending on or before December 31, 1999;
- Act No. 305 of September 24, 1999, (Act No. 305), which amended Act No. 447 and Act No. 1, for members hired from January 1, 2000, up to June 3, 2013.

17. PUERTO RICO GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (Continued)

Employees under Act No. 447 and Act No. 1 were participants in a cost-sharing multiple employers defined benefit plan (the Defined Benefit Program). Act No. 305 members were participants under a pension program known as the System 2000 Program, a hybrid defined contribution plan. Under the System 2000 Program, benefits at retirement age were not guaranteed by the Commonwealth and were subjected to the total accumulated balance in the participant's account.

Thereafter, under Act No. 3 of 2013, effective July 1, 2013, the Commonwealth created a hybrid plan where the employee no longer accrued employee benefits, and upon retirement would receive an annuity from the accumulated defined benefits until that date, plus the employee contributions made thereafter, adjusted by investment yields and market fluctuations. Other changes were also made to the Plan. Upon the enactment of Act No. 3, the Commonwealth discontinued contributing a proportionate share on behalf of the employee, instead employer contributions were redirected to pay accrued pensions. Act No. 3 of 2013 (Act No. 3) amended the provisions of the different benefits structures under the ERS. Act No. 3 moved all participants (employees) under the Defined Benefit Program and System 2000 Program to a new defined contribution hybrid plan (the Contributory Hybrid Program). All regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the Defined Benefit Program and the System 2000 Program, and were rehired on or after July 1, 2013, become members of the Contributory Hybrid Program as a condition to their employment. Act No. 3 benefits were terminated with the enactment of Act. No. 106-2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

After the approval of Act No. 106-2017, the Puerto Rico Government Employees Retirement System (PRGERS) assets were liquidated and GASB No. 73 is now implemented in substitution of GASB No. 68. The Authority's Total Pension Liability was measured as of June 30, 2021, (measurement date) for the reporting period June 30, 2022 (reporting date) based on an actuarial valuation dated January 17, 2023.

Total Pension Liability

As of June 30, 2022, the Authority's proportional share of the PRGERS' Total Pension Liability used was as follows:

Proportion - June 30, 2022 (reporting date)	2.495470%
Proportion - June 30, 2021 (reporting date)	2.468410%
Change - Increase (Decrease)	0.027060%

As of June 30, 2022, the Authority reported $678,377,743 as Total Pension Liability for its proportionate share of the Total Pension Liability of PRGERS.

Pension Expense

During the fiscal year ended June 30, 2022, the Authority's pension expense under the PayGo system amounted to $34.4 million, which represents 100% of the contributions required under the law.

17. PUERTO RICO GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (Continued)

Deferred Outflows/Inflows of Resources

As of June 30, 2022, (reporting date), the Authority reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 1,083,623	$ 20,210,315
Changes in assumptions	69,444,104	8,016,092
Changes in proportions	11,839,717	1,380,911
Actuaries report	82,367,444	29,607,318
Benefits payments made after measurement date	31,814,518	-
Total outflows/inflows	$ 114,181,962	$ 29,607,318

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to Total Pension Liability to be recognized in future periods in a systematic and rational manner.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the following reporting years:

Year Ended June 30,	Amount
2023	$ 17,283,964
2024	17,283,962
2025	18,192,139
	$ 52,760,065

Actuarial Methods and Assumptions

Changes in Actuarial Methods since the Prior Evaluation

The GASB No. 73 discount rate has decreased from 2.21% as of June 30, 2020 (measurement date), to 2.16% as of June 30, 2021 (measurement date). The projected mortality improvement scale was updated from Scale MP-2019 to Scale MP-2020 to reflect the projected mortality improvement scale issued in the valuation year.

The ultimate cost of a pension plan is the excess of actual benefits and administrative expenses paid over actual net investment return on plan assets during the plan's existence until the last payment has been made to the last participant. The plan's "actuarial cost method" determines the expected incidence of actuarial costs by allocating portions of the ultimate cost to each plan year. The cost method is thus a budgeting tool to help to ensure that the plan will be adequately and systematically funded and accounted for. There are several commonly used cost methods which differ in how much of the ultimate cost is assigned to each prior and future year. Therefore, the pattern of annual contributions and accounting expense are also affected by the "asset valuation method" (as well as the plan provisions, actuarial assumptions, and actual plan demographic and investment experience each year).

17. PUERTO RICO GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (Continued)

Actuarial Cost Method

The plan's actuarial cost method is the entry age normal method. Under this method, a projected benefit is determined at each active participant's assumed retirement age assuming future compensation increases. The plan's normal cost is the sum of each active participant's annual cost for the current year of service determined such that, if it were calculated as a level percentage of his compensation each year, it would accumulate at the valuation interest rate over his total prior and future years of service to his assumed retirement date into an amount sufficient to fund his projected benefit. The plan's accrued liability is the sum of (a) the accumulation of each active participant's normal costs attributable to all prior years of service plus (b) the present value of each inactive participant's future benefits.

Because of Act No. 106-2017, no future benefits (except for the additional benefits due to death or disability for reasons specified in Act No. 127-1958) will be earned by PRGERS members. As a result, the GASB Statement No. 73 Total Pension Liability equals the present value of all non-Act No. 127-1958 projected benefits. The normal cost only reflects the anticipated future Act No. 127-1958 benefits.

Liability Determination

The results as of June 30, 2021, (measurement date) are based on projecting the plan obligations determined as of the census data collection date of July 1, 2020, for one year using roll-forward methods, assuming no liability gains or gains or losses. There have been no changes in actuarial methods since the prior valuation.

Due to Act No. 106-2017, the non-Act No. 127-1958 benefits are considered fully accrued and the only normal cost going forward will be due to Act No. 127-1958 benefits.

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2021 (measurement date) is provided below, including any assumptions that differ from those used in the June 30, 2020, actuarial valuation. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees. The actuarial valuation used the following actuarial assumptions:

Municipal Bond Rate: 2.16% per annum (Bond Buyer General Obligation 20-Bond Municipal Bond Index)

GASB No. 73 Discount Rate: 2.16% per annum

Compensation Increases: 3.0% per year. No compensation increases are assumed until July 1, 2021, as result of Act No. No. 3-2017, four-year extension of Act No. 66-2014, salary freeze, and the current general economy. Based on professional judgment and plan input.

Defined Contribution Hybrid Contribution Account: No member contributions will be made to the Defined Contribution account after June 30, 2017. Based on the liquidation of plan assets and move to PayGo funding under Act No. 106-2017, no future interest credits are assumed after June 30, 2017.

17. PUERTO RICO GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (Continued)

Basis for Demographic Assumptions: The post-retirement health and disabled mortality assumptions used in the evaluation are based on a study of the plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. Most other demographic assumptions used in the evaluation are based on a 2009 experience study using data as of June 30, 2003, June 30, 2005, and June 30, 2007. Certain demographic assumptions (e.g., termination and retirement) were impacted by Act No. 3-2013 pension reforms and were revised based on the new retirement eligibility and expected future experience. All assumptions were reviewed with PRGERS staff for reasonableness.

Pre-retirement Mortality: For general employees not covered under Act No. 127-1958, PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act No. 127, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

100% of deaths while in active service are assumed to be occupational for members covered under Act 127-1958.

Post-retirement Retiree Mortality: Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death.

Post-retirement Disabled Mortality: Rates which vary by gender are assumed for disabled retirees based on a study of plan's experience from 2007 to 2012 and updated expectations regarding future mortality improvement. The 2010 base rates are 105% of the rates from the UP-1994 Mortality Table for Males and 115% of the rates from the UP-1994 Mortality Table for Females. These base rates are projected using Mortality Improvement Scales MP-2020 on a generational. As generational tables, it reflects mortality improvements both before and after the measurement date.

Post-retirement Beneficiary Mortality: Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Marriage: 100% of current active members covered under Act No. 127-1958 who die in service or become disabled are assumed to have qualifying beneficiaries receiving the maximum benefits possible, which are approximated by a spouse with males 4 years older than females.

Form of Payment: For members retiring after June 30, 2013 (other than under Act No. 127-1958), upon disability an immediate lump sum distribution of the Defined Contribution Hybrid Contribution Account plus, for Act No. 447-1951 and Act No. 1-1990 members, a modified cash refund of the accrued benefit as a June 30, 2013, commencing at retirement eligibility; otherwise, a modified cash refund.

For members retiring after June 30, 2013, under Act No. 127-1958, a Joint & 100% Survivor benefit of Act No. 127-1958 Disability benefit.

17. PUERTO RICO GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (Continued)

Marital status was provided as of July 1, 2016, but was not provided as of July 1, 2017, for retired and disabled members who retired prior to July 1, 2013. With the exception of annuitants with future benefits payable as a result of Act No. 211-1958, for those indicated as married as of July 1, 2016, and any new retirees as of July 1, 2017, a joint and survivor annuity was assumed (as shown in the following table), with an adjustment for the probability the spouse has pre-deceased the retiree as of the valuation date. Annuitants with future benefits payable as a result of Act No, 211-1958 and those not married were assumed to have a modified cash refund (as shown in the following table). The spouse's date of birth was imputed based on an assumed age difference of 4 years with males older than females.

Discount Rate

After June 30, 2017, the Commonwealth enacted legislation that changed the structure of pension administration managed by PRGERS. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

The discount rate on June 30, 2021, (measurement date), was as follows:

	6/30/2021 (Measurement Date)
Discount Rate	2.16%
20 Year Tax-Exempt Municipal Bond Yield	2.16%

Sensitivity of the Proportionate Share of the Total Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the Total Pension Liability calculated using the discount rate, as well as what the Authority's proportionate share of the Total Pension Liability would be if it were calculated using a discount rate that is 1 – percentage point lower or 1 – percentage point higher than the current rate:

	1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
Total Pension Liability	$ 774,929,432	$ 678,377,743	$ 599,775,421

There are no assets accumulated in a trust that meets the criteria of GASB 73, paragraph 4 to pay related benefits.

Pension Plan Fiduciary Information

Additional information on the Puerto Rico Government Employees Retirement System for the fiscal year ended June 30, 2021, can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico, P.O. Box 42003, San Juan PR 00940-2003.

18. OTHER POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS (OPEB)

The Authority participates in two OPEB plans. One plan is sponsored by the Commonwealth and the other is sponsored by the Authority:

Total OPEB liability	
OPEB Liability – Authority (Reporting Date June 30, 2022)	$ 1,432,397
OPEB Liability – Commonwealth (Reporting Date June 30, 2022)	15,430,280
Total OPEB liability	$ 16,862,677

OPEB Sponsored by the Commonwealth

The Authority participates in the OPEB plan of the Commonwealth for retired participants of the Employees Retirement System Medical Insurance Plan Contribution Benefit (ERS MIPC). The plan is administered on a pay-as-you-go basis.

ERS MIPC is an unfunded cost sharing, multiple employers defined benefit OPEB plan (other than pension) sponsored by the Commonwealth. This ERS MIPC was created under Act No. 95-1963. Healthcare benefits are provided through insurance companies whose premiums are paid by the retiree with the Commonwealth providing a matching share. ERS MIPC covers substantially all full-time employees of the Commonwealth, certain municipalities, and component units of the Commonwealth. For ERS MIPC, Commonwealth and Authority employees became plan members upon their date of employment. Plan members were eligible for benefits upon reaching the applicable pension benefits retirement age.

The ERS MIPC covers a payment of up to $100 per month to the eligible medical insurance plan selected by each member provided that the member retired prior to July 1, 2013, (Act No. 483, as amended by Act No. 3). The ERS MIPC is financed by the Commonwealth through legislative appropriations. However, the Commonwealth claims reimbursements from each employer on a monthly basis for the corresponding amount of the OPEB payments made by the Commonwealth in relation to the retirees associated with each employer. The legislative appropriations are considered estimates of the payments to be made by the ERS MIPC. There is no contribution requirement from the plan members during active employment. The retirees contribute the amount of the healthcare insurance premium not covered by the Commonwealth contribution.

Actuarial methods and assumptions

The total ERS MIPC OPEB liability as of June 30, 2022 (reporting date), was determined by an actuarial valuation as of June 30, 2021 (measurement date), which was rolled forward to June 30, 2022 (reporting date). The actuarial valuation used the following actuarial assumptions applied to all periods in the measurement period:

Inflation	Not applicable
Municipal bond index	2.16% as per Bond Buyer General Obligation 20-Bond Municipal Bond Index
Compensation increases	3.00% per year. No compensation increases are assumed until July 1, 2021, as a result of Act No. 3-2017 and the current general economy.

18. OTHER POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS (OPEB) (Continued)

Mortality

Pre-retirement Mortality:

For general employees not covered under Act No. 127-1958, PubG-2010 employee rates, adjusted by 100% for males and 110% for females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. For members covered under Act No. 127, the PubS-2010 Employee Mortality Rates are assumed for males and females, projected to reflect Mortality Improvement Scale MP-2021 on a generational basis. As generational tables, they reflect mortality improvements both before and after the measurement date.

100% of deaths while in active service are assumed to be occupational for members covered under Act No. 127.

Post-retirement Healthy Mortality:

Rates which vary by gender are assumed for healthy retirees and beneficiaries based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 healthy retiree rates, adjusted by 100% for males and 110% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date. This assumption is also used for beneficiaries prior to the member's death.

Post-retirement Disabled Mortality:

Rates which vary by gender are assumed for disabled retirees based on a study of the Plan's experience from 2013 to 2018 and updated expectations regarding future mortality improvement. The PubG-2010 disabled retiree rates, adjusted by 80% for males and 100% for females. The base rates are projected using Mortality Improvement Scale MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Post-retirement Beneficiary Mortality:

Prior to retiree's death, beneficiary mortality is assumed to be the same as the post-retirement retiree mortality. For periods after the retiree's death, the PubG-2010(B) contingent survivor rates, adjusted by 110% for males and 120% for females, projected using MP-2021 on a generational basis. As a generational table, it reflects mortality improvements both before and after the measurement date.

Most other demographic assumptions used in the June 30, 2022 (reporting date), valuation was based on the results of an actuarial experience 2009 study using data as of June 30, 2003, June 30, 2005, and June 30, 2007.

18. OTHER POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS (OPEB) (Continued)

The discount rate for June 30, 2021 (measurement date), and 2020 (measurement date) was 2.16% and 2.21%, respectively. This represents the municipal bond return rate as chosen by the Commonwealth. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Actuarial valuations of an ongoing plan involve estimates of the net value of reported amounts and assumptions about the probability of occurrence of events far into the future, including, for example, assumptions about future employment and mortality. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing costs between the employer and plan member at the time of each valuation. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial assumptions are revised periodically to reflect more closely actual, as well as anticipated, future experience. Due to the change in the census collection date to the beginning of the fiscal year, rather than the end of the fiscal year, demographic gain/loss during the year is limited to the difference between actual and expected benefit payments, which arise from differences in termination and retirement activity and mortality versus expectations.

The Authority's Proportion of Total OPEB Liability of the ERS MIPC

The Authority's proportionate share of the total OPEB liability of the ERS MIPC and the proportion percentage of the aggregate total OPEB liability of the ERS allocated to the Authority as of June 30, 2021 (measurement date), was approximately $15.94 million and 1.91%, respectively. As the ERS MIPC is a multiple employer plan and the benefits are not funded by an OPEB trust, GASB Statement No. 75 applies to the OPEB provided to each participating employer's own employees. The Commonwealth of Puerto Rico and its component units are considered to be one employer. Other employers also participate in the ERS MIPC. Because certain employers that are component units of the Commonwealth, such as the Authority, prepare individual financial statements, a proportionate share or OPEB expense is determined for these employers. GASB Statement No. 75 requires that such proportionate share should be consistent with the manner in which amounts that are paid as benefits come due are determined. The proportionate share as of each measurement date is based on the ratio of each agency and component unit's actual benefit payments to the total actual benefit payments paid during the year ending on the measurement date.

Sensitivity of total ERS MIPC OPEB liability to changes in the discount rate

The following table presents the Authority's proportionate share of the ERS MIPC OPEB liability on June 30, 2022 (reporting date), for ERS calculated using the discount rate of 2.16%, as well as what the Authority's proportionate share of the OPEB liability would be if it were calculated using a discount rate of one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

	1% Decrease (1.16%)	Current Assumption (2.16%)	1% Increase (3.16%)
Total OPEB liability	$ 16,926,825	$ 15,430,280	$ 14,154,632

18. OTHER POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS (OPEB) (Continued)

Deferred outflows of resources and deferred inflows of resources

OPEB adjustments recognized by the Authority for the year ended June 30, 2022 (reporting date), related to the ERS MIPC amounted to approximately $1.2 million. Because all participants are inactive, there are no deferred outflows or inflows of resources as any changes in actuarial assumptions, economic or demographic gains and losses, and changes in proportionate share are recognized immediately during the measurement year. However, a deferred outflow has been recognized only for the amount of the benefit payments made by the Authority subsequent to the measurement date. Additional information on the ERS MIPC OPEB Plan of the Commonwealth of Puerto Rico for Retired Participants of ERS is provided on its standalone Schedules of Employer Allocations and Schedules of OPEB Amounts by Employer for the year ended June 30, 2021, a copy of which can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico, P.O. Box 42004, San Juan PR 00940-2004.

The Authority's Health Benefit Plan

Program Description and Membership

The Authority agreed to provide medical, pharmacy, dental, and vision medical insurance coverage to eligible retirees, their spouses, and dependents, for a period of one year after retirement for union employees and for the remainder of the calendar year of retirement for management employees, as a single employer defined benefit Other Post-Employment Benefits Plan (the OPEB Plan).

The OPEB Plan can be amended by action of the Authority subject to applicable collective bargaining and employment agreements. The OPEB Plan does not issue a stand-alone financial report because there are no assets legally segregated for the sole purpose of paying benefits under the OPEB Plan.

The obligations of the OPEB Plan member's employer are established by action of the Authority pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement.

All employees with more than twenty years of rendered service within the Authority are eligible for the OPEB upon retirement age.

For more details regarding the retirement age, refer to Note 17. The obligation ends in case of death before retirement and in case of total or permanent disability before retirement. The obligation also ends in case of death after retirement.

Funding Policy

The Authority currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the OPEB Plan are paid by the Authority.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 for the payment of these benefits.

Membership

On June 30, 2021 (measurement date), the date of the most recent actuarial valuation, membership in the OPEB Plan was as follows:

18. OTHER POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS (OPEB) (Continued)

Description	Number
Inactive Employees or Beneficiaries Currently Receiving Benefits	1
Inactive Members Entitled To But Not Yet Receiving Benefits	-
Active Employees	838
Total Membership	839

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021 (measurement date), using the following key actuarial assumptions and other inputs:

Inflation	2.40%
Salary Increases	N/A
Municipal Bond Index Rate at Measurement Date	2.18%
Long-Term Expected Rate of Return	2.18%
Health care cost trend rate	5.6% decreasing to 4.7%

Mortality Table

Mortality rates were based on the PUB-2010 General Retirees Amount-Weighted Mortality Table, projected generationally using scale MP-2021 for service retirements. The PUB-2010 General Disabled Retirees Amount-Weighted Mortality Table, projected generationally using scale MP-2021 was used for the period after disability retirement.

Changes of Actuarial Assumptions

Since the Prior Measurement Date, the discount rate has decreased from 2.66% to 2.18%. Mortality rates have been updated to the PUB-2010 General Retiree Amount-Weighted Mortality Table, projected generationally using scale MP-2021 for service retirements. The PUB-2010 General Disabled Retiree Amount-Weighted Mortality Table, projected generationally using scale MP-2020 was used for the period after disability retirement.

Changes in Benefit Terms

There was no change in the benefit terms that affected the measurement of the total OPEB liability since the prior measurement date. No benefit payments are attributable to the purchase of allocated insurance contracts.

Sensitivity of the Total OPEB Plan Liability to Changes in the Discount Rate and Health Care Trend

The following presents the total OPEB liability calculated using the discount rate of 2.18%, as well as what it would be if it were calculated using a discount rate of 1 percent-point lower or 1 percent-point higher than the current rate:

18. OTHER POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS (OPEB) (Continued)

	1% Decrease (1.18%)	Current Assumption (2.18%)	1% Increase (3.18%)
Total OPEB liability	$ 2,901,052	$ 2,632,397	$ 2,385,391

Similarly, the exhibit below presents the total OPEB liability calculated using the health care cost trend rates as well as what it would be if it were calculated using a health care cost rate of 1 percent-point lower or 1 percent point higher than the current rate:

	1% Decrease (4.6% decreasing to 3.7%)	Current Assumption (5.6% decreasing to 4.7%)	1% Increase (6.6% decreasing to 5.7%)
Total OPEB liability	$ 2,386,685	$ 2,632,397	$2,922,883

Annual OPEB Plan Cost and OPEB Plan Liability

The total OPEB Plan liability as of June 30, 2022 (reporting date), is based upon an actuarial valuation performed as of the Valuation Date, June 30, 2020 (valuation date). An expected total OPEB Plan liability is determined as of June 30, 2021 (measurement date), using standard roll forward techniques. The roll forward calculation begins with the total OPEB Plan liability as of the prior Measurement Date, June 30, 2021, adds the annual Normal Cost (also called the Service Cost), adds interest at the Discount Rate for the year, and then subtracts the expected benefit payments for the year. The difference between this expected total OPEB Plan liability and the actual total OPEB Plan liability as of the Measurement Date before reflecting any assumption changes is reflected as an experience gain or loss for the year. The difference between the actual total OPEB Plan liability as of the Measurement Date before and after reflecting any assumption changes is reflected as an assumption change gain or loss for the year.

18. OTHER POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS (OPEB) (Continued)

The following table illustrates the OPEB Plan cost components for the year ended June 30, 2022 (reporting date):

Total OPEB Liability as of June 30, 2021 (Reporting Date)	$ 2,450,802
Changes for the year:	
Service Cost at the end of the year	82,306
Interest on OPEB Liability and Cash Flows	64,042
Change in benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	121,663
Benefit payments	(86,416)
Net changes	181,595
Total OPEB Liability as of June 30, 2022 (Reporting Date)	$ 2,632,397

For the fiscal year ended June 30, 2022, the Authority recognized OPEB Plan expense of approximately $69,672.

Since certain expense items are recognized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts will increase OPEB Plan Expense, they are labeled Deferred Outflows of Resources. If they serve to reduce OPEB expenses, they are labeled Deferred Inflows of Resources. The recognition of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive Plan members at the beginning of the measurement period.

The following table provides a summary of the Deferred Outflows of Resources and Deferred Inflows of

Resources as of June 30, 2022 (reporting date):

OPEB Deferred Outflows of Resources and Deferred Inflows of Resources

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,623	$ 504,398
Changes of assumptions or other inputs	206,669	-
Total	$ 208,292	$ 504,398

18. OTHER POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS (OPEB) (Continued)

The implementation of GASB No. 75 requires to determine deferred outflows of resources and deferred inflows of resources in order to be amortized and recognized in the annual OPEB Plan expense.

The following table illustrates the OPEB Plan cost components for the year ended June 30, 2022 (reporting date):

OPEB Expense:		
Service Cost at end of year	$	82,306
Interest on the Total OPEB Liability		64,042
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability		16,898
Recognition of beginning Deferred Outflows of Resources as OPEB Expense		23,728
Recognition of beginning Deferred Inflows of Resources as OPEB Expense		(117,302)
OPEB expense	$	69,672

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB Plan benefits will be recognized in OPEB Plan Expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expenses increase/(decrease)
2023	$ 40,626	$ 117,302	$ (76,676)
2024	40,626	117,302	(76,676)
2025	40,626	117,302	(76,676)
2026	39,033	117,302	(78,269)
2027	24,819	35,190	(10,371)
Thereafter	22,562	-	22,562
Total	$ 208,292	$ 504,398	$ (296,106)

Actuarial Methods and Assumptions

The actuarial cost method used to measure the total OPEB Plan liability on June 30, 2021 (measurement date), was the individual entry age normal cost method.

19. VOLUNTARY TERMINATION BENEFITS

On July 2, 2010, the Commonwealth enacted Act No. 70, which established a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined. The program was available to eligible employees that have completed between 15 to 29 years of creditable services and provided monthly benefits ranging from 37.5% to 50% of each employees' monthly salary until the employee complies with the requirements of age and 30 years of credited service in the Retirement System. The ERS Pay-Go Plan (previously ERS) is responsible for benefit payments. The employees had until December 31, 2012, to elect to participate in this program. As of June 30, 2022, the Authority's total outstanding liability under this program was approximately $19.3 million, discounted at 2.55%.

On December 28, 2015, the Commonwealth enacted Act. No. 211 of 2015 (Act No. 211), known as the Voluntary Early Retirement Law. Act No. 211 allowed eligible active employees to participate in a voluntary retirement program if they were hired before April 1990 and have accrued a minimum of twenty years of service. The voluntary program, which was initially adopted during the fiscal year ended June 30, 2017, provided eligible participants with 60% of their average compensation, determined as of December 31, 2015, until the employee attains age sixty-one. As of June 30, 2022, the outstanding balance under Act No. 211 amounted to $6.6 million. The liability under this program was discounted at 2.65%.

The aggregate adjustment for changes in discount rate under Act No. 70 and Act No. 211 during the fiscal year ended June 30, 2022, resulted in a loss of $1.7 million.

20. RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2022, operating expenses included approximately $9.3 million of charges from the Puerto Rico Electric Power Authority (PREPA), a component unit of the Commonwealth. Furthermore, the Authority has outstanding debt payable to PREPA from electricity charges amounting to approximately $1.1 million. In addition, during the year ended June 30, 2022, the Authority received charges from the PBA, a component unit of the Commonwealth, for building rent amounting to approximately $700 thousand. During the year ended June 30, 2022, the Authority made the rent payments each month as required.

As of June 30, 2022, the Authority had an amount due from the Commonwealth of approximately $23.6 million, of which was collected as of the date of issuance of the financial statements. The amount due from the Commonwealth relates to CAPEX appropriation transfers made to the Authority.

As further discussed in Note 16, the balance of the now terminated GDB lines of credit, was assumed by the GDB DRA. As of June 30, 2022, the Authority has an outstanding balance to GDB DRA of approximately $1,733.7 million plus $978.4 million in accrued interest.

Bonds payable include $200 million variable rate bonds, purchased by the GDB (as formerly known) from a third party on May 19, 2014, and subsequently assumed by the GDB DRA.

During the year ended June 30, 2022, the Authority used from the Commonwealth capital grants amounting to $82.6 million for repair maintenance and resurfacing of certain roads and bridges.

As of June 30, 2022, the Authority had amounts due to other governmental entities for operating leases, utilities, and other agreements of approximately $30.0 million, which are in accounts payable and accrued liabilities in the accompanying statement of net deficit.

21. COMMITMENTS AND CONTINGENT LIABILITIES

Construction Commitments

As of June 30, 2022, the Authority had commitments of approximately $256 million related to construction contracts.

Lease Commitments

The Authority has various operating leases for office space with the PBA. These leases expired in fiscal years 2003 and 2004, and the Authority continues to use the premises on a month-to-month basis. During the fiscal year ended June 30, 2022, the total aggregate amount of rental expense recorded by the Authority on these contracts was approximately $1.2 million.

Construction Claims

The Authority is defendant or co-defendant in various lawsuits for alleged damages in cases principally related to construction projects. The contractors are required, under the terms of the construction agreements, to carry adequate public liability insurance and to hold harmless the Authority from lawsuits brought on account of damages relating to the construction of the projects. Furthermore, those claims pertaining to periods prior to the petition date are considered *General Unsecured Claims*, as more fully disclosed below. Based on the advice of legal counsel, no accrual for losses, if any, has been provided in the financial statements.

Summary of Pending Legal Claims

Under the Title III claims process, approximately $83.1 billion in claims were filed. As of the date these financial statements were issued, some claims had been withdrawn, resolved, or expunged by an omnibus objection. The validity of the remaining claims has not yet been determined and such claims remain subject to the claim reconciliations process. However, most of these claims fall into the General Unsecured Claims class, for which $48 million have been apportioned in the POA for the full settlement of this class of claims.

Based on legal advice, as of June 30, 2022, the Authority has recorded a liability of approximately $67.7 million for probable losses on those claims not fully covered by insurance. Some of these claims against the Authority have been filed in different local and federal courts of law. Outstanding legal liability is composed of $22.6 million in legal cases related to construction projects and other operating matters and $45.1 million related to expropriation and related costs. Most of the amounts accrued relate to prepetition claims, which were classified under the following claim classes in the Authority's POA approved December 6, 2022:

- ***General Unsecured Claims (GUC)***: Will be settled with a $48 million allocation provided within the Authority's POA.

- ***Allowed Eminent Domain / Inverse Condemnation Claims***: Allowed claims shall be entitled to receive one hundred percent of such unpaid balance, with certain limitations. Claims not allowed will be included with other GUC claims.

The Authority believes that the amount provided for these claims is sufficient to settle the possible final settlement, including prepetition liabilities that will be settled in accordance with the POA. However, this estimate may change in the near term.

21. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Contingent Liabilities due to COVID-19 Shutdown

The Authority is also a defendant in several other lawsuits filed by different contractors for alleged breach of contracts. These Authority's contractors claim, among other things, for extended overhead resulting from the executive orders of the Governor of Puerto Rico that decreed a government shutdown from March to May 2020. The contractors have sent notices for claims for contractual damages, particularly extended overhead. Based on the advice of counsel, the Authority believes that those claims are completely without merit and will vigorously defend its position. Accordingly, no accrual for losses, if any, have been recorded in the financial statements.

Federal Assistance Programs

The Authority participates in various federal financial assistance programs. These programs are subject to audits in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, or to compliance audits by grantor agencies.

On March 31, 2014, FHWA approved $756.4 million in toll credits that may be applied toward the non-federal matching share of transit projects. These toll credits have an outstanding balance of approximately $501.1 million for future federally aided projects as of June 30, 2022. The toll credits balance is updated by the Authority’s Budget Unit based on FHWA’s approval. During the year ended June 30, 2022, the Authority used approximately $89.2 million in toll credits.

22. OPERATION AND MAINTENANCE OF URBAN TRAIN AND OTHER TRANSPORTATION SYSTEMS

Effective on July 1, 2017, the Authority entered into a new contract with ACI-Herzog for the purpose of operating and maintaining the Urban Train. This contract expires on June 30, 2032, with an option to extend the term for an additional two periods of not less than 5 years, as long as the entire term does not exceed 25 years.

The total annual operation and maintenance cost, for the fiscal year ended June 30, 2022, was approximately $52.9 million, including the base fee under the contract. The Authority is committed to the payment of the base fees throughout the remaining life of the contract.

The Authority contracted First Transit of Puerto Rico, Inc. (First Transit) to operate a fixed route bus services of three bus systems known as Metrobus, Metro Urbano, and Urban Train Conexión with a total bus fleet of fifty-four vehicles that feed the Urban Train transportation system.

The Metrobus consists of two fixed routes that provide service between the Sagrado Corazon Station and Old San Juan area. The Metro Urbano consists of two express commuter type bus service with stops only at the end points of the routes. Route E20 operates between the Campanillas-Toa Baja Park-and-Ride Station and the Bayamon Station and route E30 operates between Cupey Station and the Caguas Municipality Transit Terminal. The Conexión service consists of four (4) fixed route bus services. Routes C22, C35 and C36 operates between Sagrado Corazon Station and the north area of the San Juan Municipality and E40 operates from the Piñero Station to Luis Muñoz Rivera International Airport getting access to the Mall of SJ area.

The service is provided seven days a week using 24 buses owned by First Transit. The existing service agreement with First Transit will expire on June 30, 2023. The total aggregate expense amount under this contract was $12.9 million for the fiscal year ended June 30, 2022.

22. OPERATION AND MAINTENANCE OF URBAN TRAIN AND OTHER TRANSPORTATION SYSTEMS (Continued)

The Authority is required to continue to implement the comprehensive reorganization plan outlined in the certified October 2022 Authority's Fiscal Plan including, among other things, the transfer of the Urban Train to Puerto Rico Integrated Transit Authority (PRITA). Refer to Note 26.

23. OTHER OPERATING INCOME

For the year ended June 30, 2022, other operating income includes:

Urban Train revenues	$ 3,260,354
Teodoro Moscoso revenues	2,629,809
Rental income	490,354
Electronic toll revenues and label sales	1,367,099
Impact fee	1,165,830
Metrobus fare fees	405,169
Other	6,072,485
Total	$ 15,391,100

24. RESTATEMENT

Restatement of net deficit as of July 1, 2021

Project Costs

Certain accounting misstatements were found during the fiscal year 2022 resulting from certain highway repair and maintenance expenses incurred during the fiscal year 2021, but incorrectly recognized as an expense in the fiscal year 2022. The net effect of these corrections represents an increase of $8.7 million in the prior year net deficit.

The Authority's beginning net deficit was changed as follows:

Net deficit, at beginning of fiscal year as previously reported	$ (697,890,320)
Prior period adjustments:	
Prior year project costs understatements	(8,691,704)
Net deficit, at beginning of fiscal year, as restated	$ (706,582,024)

25. COVID-19 PANDEMIC

Since China first alerted the World Health Organization ("WHO") of flu-like cases in Wuhan on December 31, 2019, the global community is experiencing an unprecedented health crisis caused by a novel coronavirus known as COVID-19, which can cause several severe symptoms including fever, cough, shortness of breath, and even death in extreme cases. On March 15, 2020, then Governor Wanda Vázquez Garced signed Executive Order No. OE-2020-023, which directed the closure of all non-essential businesses in Puerto Rico. Thereafter, to the date these financial statements were issued, new Executive Orders have been issued. With respect to the Authority, substantial closure of operations remained in place for under two months. Thereafter, construction and maintenance work began, as contractors rescheduled the work in progress, and administrative employees began working under a hybrid schedule until May 24, 2021, when all employees were required to return to their workspace on a full-time basis, with proof of vaccination with certain exceptions. At the island-wide level, limited restrictions remain in public places, while vaccinations had already reached over 70% of the eligible population. As of the date these financial statements were issued, there was a marked decrease in persons getting infected or requiring hospitalization. However, the long-term effect of the pandemic is still difficult to predict.

26. SUBSEQUENT EVENTS

The Authority evaluated its subsequent events until March 30, 2022, the date on which the financial statements were ready for issuance. The Authority's management understands that no other material events occurred subsequent to June 30, 2022, that require disclosure in the financial statements, except as mentioned below. Additionally, the Authority has determined that these events are non-adjusting subsequent events. Accordingly, the financial deficit and results of operations as of and for the year ended June 30, 2022, have not been adjusted to reflect their impact.

Bond Payment Defaults

Due to the PROMESA Stay as disclosed in Note 3, through December 6, 2022 (the Effective Date of the POA), the Authority was unable to make the scheduled payments on its outstanding bonds, excluding amounts in arrears, as follows:

Fiscal Year Ended June 30,	Total defaults still outstanding	Subrogated monoline insurance company payments	Total defaults not subrogated by insurance
2023			
Principal	$ 145,493,895	$ 50,820,000	$ 94,673,895
Interest	181,882,019	86,707,190	95,174,829
Total	$ 327,375,914	$ 137,527,190	$ 189,848,724

26. SUBSEQUENT EVENTS (Continued)

Status of Federal Disaster Relief Funds

The Commonwealth continues to coordinate relief and funding efforts to address the natural disasters that have affected Puerto Rico in recent years, including the continued recovery following Hurricanes Irma and Maria and the earthquakes, and their aftershocks, that impacted the southern and southwestern part of Puerto Rico. As of March 17, 2023, approximately $81.5 billion has been appropriated by the United States Congress to Puerto Rico for disaster relief and recovery efforts. Of this amount, approximately $74.6 billion has been committed by federal agencies for distribution and $27.8 billion has been disbursed. Of the amounts obligated and disbursed, Federal Emergency Management Agency (FEMA) has approved approximately $44.2 billion and disbursed approximately $17.5 billion of the total amounts detailed above. The use of these funds is detailed by the Commonwealth on the COR3 website and can be accessed at: https:\\recovery.pr\en.

Federal Funds held in GDB

In a prior year, the Authority became aware of the fact that some of the Authority's funds that had been recognized as impaired because of the insolvency of the GDB were actually federal funds. The GDB's restructuring under Title VI was specifically structured to not impair federal funds. In addition, the Confirmation Order, as issued by the court, confirms that no such funds were impaired, so the offset should not have legally been deemed not to apply to these federal funds and as a result, they should be restored. The Authority, with the support of FHWA, was actively seeking restitution of these deposits from the Commonwealth. On March 2, 2023, the Authority recovered approximately $16.2 million and recorded a gain by the same amount.

The HTA/CCDA Plan Support Agreement and Confirmed Authority's Plan of Adjustment

On October 12, 2022, the Authority's POA, was confirmed by PROMESA Title III Court. Thereafter, on December 6, 2022, the POA was considered effective. It provides a path for the Authority to exit bankruptcy and enables the Authority to make the necessary investments to improve and maintain Puerto Rico's roads and other transportation infrastructure. It reduces the Authority's outstanding debt from $6.4 billion to $1.2 billion by defining the recovery rate for nineteen classes of claims (e.g., HTA 68 Bond Claims, HTA 98 Senior Bond Claims, Authority General Unsecured Claims, and other) and providing repayment in the form of $1.2 billion of New Authority Bonds.

The HTA/CCDA PSA and the Commonwealth Plan of Adjustment required, among other things, that within ten business days after the satisfaction of certain "HTA Distribution Conditions," including agreement on the terms of the POA, to make cash payments in the total aggregate amount of $264 million to holders of HTA bonds, as follows: (i) $184.8 million to holders of HTA 68 Bonds; and (ii) $79.2 million to holders of HTA 98 Senior Bonds. The cash payments were financed through a partial amount (approximately $172 million) of the Authority's $360 million Commonwealth loan (as disclosed below) and approximately $92 million of the Authority's investments held at the trustee. In addition, the HTA/CCDA PSA requires the Authority to pay certain creditors a HTA Restriction Fee in exchange for their execution of the HTA/CCDA PSA in an amount not to exceed $125 million, less any Consummation Costs (as defined in the HTA/CCDA PSA).

Although the agencies of the Commonwealth of Puerto Rico are not covered under Chapter 9 of the Federal Bankruptcy Law, due to the structure of the PROMESA law and the novel situation that this law brings to court decisions, the Authority understands that the use of GASB 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies* is a reasonable basis to record these transactions.

26. SUBSEQUENT EVENTS (Continued)

The following are the major provisions of the Authority's POA:

a. New Bonds Issuance

The Authority issued new bonds (the "New Authority Bonds"), which will serve, in part, to pay holders of previous HTA 68 and HTA 98 bonds. The New Authority Bonds are summarized below:

- Capital Indexed Bonds ("CIB"):
  - Principal Amount: $600 million
  - Coupon: 5.0%
  - Maturity Date: July 1, 2062
  - Callable July 1, 2032
- Capital Appreciation Bonds ("CAB"):
  - Initial Principal Amount: $238 million
  - Accretion Yield: 5.0%
  - Maturity Date: July 1, 2032
- Convertible Capital Appreciation Bonds ("CCAB"):
  - Initial Principal Amount: $407 million
  - Accretion Yield: 5.0%
  - Maturity Date: July 1, 2053
  - Conversion Date: July 1, 2032
  - Callable January 1, 2033

Interest on the New Authority Bonds shall commence to accrue or accrete, as applicable, on July 1, 2022.

Starting from the Authority's POA Effective Date until the Secured Obligations are fully paid according to their terms, the New Authority Bonds Trustee will hold a first-priority lien and security interest on the Trust Estate on behalf of the Secured Obligations holders. However, this is subject to the terms of the New Authority Bonds Indenture for the Authority Expense Fund and the Arbitrage Rebate Fund, and the senior lien and security interest granted for the benefit of New Authority Bonds holders, which are superior to the subordinate lien and security interest granted for the benefit of Subordinated Indebtedness holders.

The Authority's rights, title, and interest in the Pledged Revenues and funds and accounts created under the New Authority Bonds Indenture are subject to the terms of the New Authority Bonds Indenture. The senior lien and security interest granted to New Authority Bonds holders are superior to the subordinate lien and security interest granted to Subordinated Indebtedness holders. The Authority Expense Fund and the Arbitrage Rebate Fund are excluded, and the priority in which money and securities are applied to repay the Secured Obligations are specified in the New Authority Bonds Indenture.

The Authority's debt issued after the Effective Date can only finance Capital Improvements approved by AAFAF and, if not terminated, the Oversight Board, or refinance debt according to Section 25.3(d) of the Confirmation Order. Proceeds from such issuance can cover expenses necessary to carry out Capital Improvements, including those related to the issuance itself. This is to ensure that the Authority achieves and maintains a structurally balanced budget consistent with PROMESA's requirement for Puerto Rico's fiscal responsibility.

26. SUBSEQUENT EVENTS (Continued)

The New Authority Bonds will require future payments of principal and interest (excluding the TMB Bonds disclosed in Note 15 and the Commonwealth Loan disclosed below) are as follows:

Fiscal Year Starting July 1	Principal	Interest	Total
2023	$ -	$ 30,000,000	$ 30,000,000
2024	-	30,000,000	30,000,000
2025	25,289,589	46,150,411	71,440,000
2026	22,310,861	44,248,139	66,559,000
2027	25,083,318	46,018,682	71,102,000
2028-2029	64,360,905	101,102,095	165,463,000
2030-2039	195,667,819	576,112,304	771,780,123
2040-2049	205,975,889	486,684,900	692,660,789
2050-2059	481,867,085	274,425,250	756,292,335
2060-2062	224,445,000	22,809,500	247,254,500
	$ 1,245,000,466	$ 1,657,551,281	$ 2,902,551,747

As part of the New Authority Bonds issuance, the Authority has to meet certain senior bond covenants as follows:

- **Rate Covenant**: The Authority shall at all times charge and collect tolls at rates not less than those set forth in the schedule of such Tolls then in effect and the Toll Receipts in each Fiscal Year shall equal at least (A) 110% of the aggregate of (I) costs of operation, maintenance and administration of the Toll Facilities for such fiscal year; (II) Annual Debt Service on the New Authority Bonds for such fiscal year; (III) Trustee Expenses Cap; (IV) deposits, if any, to an Arbitrage Rebate Fund for such fiscal year; and (V) amounts required to be deposited in the Renewal and Replacement Fund plus (B) 100% of the Annual Debt Service on Subordinated Indebtedness (i.e. the Treasury Loan).

- **Partial Disposition**: The Authority will not enter into a lease, long-term concession, or other public-private partnership arrangement with respect to any real estate or personal property comprising a portion of the Toll Facilities unless and until a certificate is delivered to the New Authority Bonds Trustee by an authorized officer of the Authority and approved by the Traffic Consultant demonstrating that the ratio of Net Receipts for the current fiscal year (as if the disposition had occurred prior to such fiscal year) and the maximum Annual Debt Service on the New Authority Bonds equals at least 1.2 to 1.0.

The Rate Covenant establishes that the Authority will at all times charge and collect or cause to be charged and collected Tolls for the use of the Toll Facilities at rates not less than those set forth in the schedule of such Tolls then in effect, and as shall be required in order that Toll Receipts in each Fiscal Year shall equal at least the aggregate of (i) one hundred ten percent (110%) of the aggregate of the Required Deposits for such Fiscal Year and (ii) one hundred percent (100%) of Annual Debt Service on Subordinated Indebtedness. To monitor and ensure compliance with the Rate Covenant, the New Authority Bonds Master Trust Agreement includes the following requirements:

- The Authority shall perform the calculations to determine compliance with the Rate Covenant for the previous Fiscal Year by testing on a historical basis by December 31 for the previous Fiscal Year and on a projected basis by July 1 for Fiscal Years commencing on such July 1.

26. SUBSEQUENT EVENTS (Continued)

- If the historical test or projected test demonstrates that the Toll Receipts were not or will not be sufficient to satisfy the Rate Covenant, the Authority is required to cause the Traffic Consultant to make a study (a "Traffic Consultant Study") and to recommend a schedule of Tolls ("Toll Schedule") which will provide sufficient Toll Receipts in the then current or next succeeding Fiscal Year to comply with the Rate Covenant and will cause additional Pledged Revenues to be collected in the following and later Fiscal Years sufficient to eliminate any deficiency at the earliest practicable time; provided, however, the Authority will not be required to obtain a Traffic Consultant Study if (i) the Authority has obtained a Traffic Consultant Study in any of the previous two Fiscal Years and the Authority is in material compliance with the recommendations of the Traffic Consultant set forth therein or (ii) the Traffic Consultant determines that such noncompliance is directly attributable to the occurrence of a Force Majeure Event.

- The Authority shall promptly (i) implement the Toll Schedule set forth in the Traffic Consultant Study and other recommendations of the Traffic Consultant or (ii) undertake an alternative course of action designed to ensure the Authority's ability to satisfy the Rate Covenant, to the extent approved by the Traffic Consultant.

- Failure to comply with the Rate Covenant in any Fiscal Year will not constitute an event of default if either (i) the Authority complies with the provisions relating to the delivery and implementation of a Traffic Consultant Study or (ii) the Authority's Traffic Consultant is of the opinion that a Toll Schedule which will comply with the Rate Covenant is impracticable at that time, and the Authority therefor cannot comply with the Rate Covenant, and the Authority establishes a Toll Schedule that is recommended by the Traffic Consultant Traffic consultants to comply as nearly as practicable with the Rate Covenant.

Notwithstanding the preceding paragraph, failure to comply with the Rate Covenant will be an Event of Default if:

- For four consecutive Fiscal Years, the Authority fails to satisfy the historical Rate Covenant in each such Fiscal Year, or

- The Authority fails to comply with the Rate Covenant at the end of the second full Fiscal Year after which a Traffic Consultant delivered a Traffic Consultant Study, and the Toll Receipts in such Fiscal Year are less than 100% of the Required Deposits plus Annual Debt Service on Subordinated Indebtedness for such Fiscal Year.

In addition, unless a Traffic Consultant has been engaged by the Authority and has been serving in such role for at least thirty days, in the event that in any quarter the Trustee determines there were insufficient Toll Receipts to make the required deposits to the Priority Authority Expense Fund and the Debt Service Fund in such quarter, the Authority shall increase Tolls in an amount sufficient to fully fund the required deposits to the Priority Authority Expense Fund and the Debt Service Fund, plus any deficiencies therein. This increase must be effectuated within sixty days after the delivery of a report by the Trustee detailing such insufficiency.

In addition, the Authority must fund the following accounts monthly in the established order of priority and to the level required in the New Authority Bonds Master Trust Agreement:

- **Trustee Expense Fund**: Funded in an amount equal to the Trustee Expenses Cap, which is $100,000. The annual Trustee expense is estimated to be $25,000.

26. SUBSEQUENT EVENTS (Continued)

- **Priority Authority Expense Fund**: Funded in an amount equal to 2 months of toll asset operating expenditures (or $14 million in FY23 based on the Fiscal Plan average), provided that if a Consulting Engineer has not been appointed, these operating expenditures will consist solely of direct (and not allocated) operating expenditures.

- **Debt Service Fund**: Funded in an amount equal to one-sixth (1/6) of next interest payment and one-twelfth (1/12) of next principal payment on HTA Bonds (not less than 1.0x debt service, or $30 million).

- **Subordinated Indebtedness**: Includes amounts required to pay all past due principal and interest on the Subordinated Indebtedness if a payment default under the Subordinated Indebtedness has occurred.

- **Shared Authority Expense Fund**: Funded in an amount equal to 2 months of toll asset operating expenditures (or $14 million in FY23 based on the Fiscal Plan average) if a consulting engineer has not been appointed.

- **Operating Reserve Fund ("Opex Reserve")**: Funded in an amount equal to 2 months of toll asset operating expenditures (or $14 million in FY23 based on the Fiscal Plan average).

- **Arbitrage Rebate Fund**: Defined as amounts, if any, required to rebate payments to the DOT.

- **Renewal & Replacement Fund ("Capex Reserve")**: Funded in an amount equal to one-twelfth (1/12) of the Renewal and Replacement Requirement, defined in the New Authority Bonds Master Trust Agreement as annual toll asset capital expenditures (or $7 million in FY23 based on the Fiscal Plan average).

- **Subordinated Indebtedness**: Funded in an amount equal to next interest payment and next principal payment on the Subordinated Indebtedness, i.e., not less than 1.0x debt service (or $22 million in FY23).

- **General Reserve Fund**: Net surplus from toll assets after debt service and reserve funding.

b. Subordinated Commonwealth Loan

The POA also includes a $360 million loan from the Commonwealth ("Commonwealth Loan") to the Authority for liquidity which will be repaid over 30 years at 2.5% annual interest from fiscal year 2023 through fiscal year 2051. On the effective date of the POA, the Commonwealth Loan was converted into Subordinated Indebtedness under the New Authority Bonds Master Trust Agreement.

As part of the Commonwealth Loan requirements, the Authority has to meet certain covenants. Upon the conversion of the Commonwealth Loan into Subordinated Indebtedness under the New Authority Bonds Master Trust Agreement, the Subordinated Indebtedness will require the Authority to comply with the covenants under the New Authority Bonds Master Trust Agreement. In addition, the Subordinated Indebtedness is subject to redemption prior to maturity (with the prior written consent of the Oversight Board for so long as the Oversight Board remains in existence) so long as no part of the Trust Estate securing the New Authority Bonds and Subordinated Indebtedness shall be used to pay the redemption price thereof.

The Authority has identified total funding need and the funding source for the debt service payments and reserve requirements on the New Authority Bonds and Commonwealth Loan (Subordinated Indebtedness) accounts

26. SUBSEQUENT EVENTS (Continued)

referenced above. The sources for the reserve accounts include existing Authority reserves, surplus from the toll assets, and CW/Federal CapEx funds. As of June 30, 2022, the Commonwealth Loan had not been disbursed.

The New Commonwealth Loan, that became payable to the Commonwealth on July 8, 2022, requires future payments of principal and interest as follows:

Fiscal Year Starting July 1	Principal	Interest	Total
2023	$ 10,763,135	$ 11,638,214	22,401,349
2024	9,447,509	8,721,817	18,169,326
2025	4,810,622	8,485,629	13,296,251
2026	5,197,995	8,365,364	13,563,359
2027	5,600,394	8,235,414	13,835,808
2028-2029	12,470,518	16,040,350	28,510,868
2030-2039	92,294,300	68,572,587	160,866,887
2040-2049	157,598,446	38,626,826	196,225,272
2050-2059	61,452,888	3,061,655	64,514,543
	$ 359,635,807	$ 171,747,856	$ 531,383,663

c. GDB DRA Consideration from Commonwealth on behalf of the Authority

Under the POA, the Authority also settled about $2.2 billion in outstanding loans held by the GDB DRA, which received no consideration under the POA but received Contingent Value Instruments (CVIs) that were issued under the Commonwealth Plan of Adjustment, confirmed by the U.S. District Court on January 18, 2022. However, the Authority's related CVIs were not considered issued until the effective date of the Authority's POA on December 6, 2022.

d. Authority's Comprehensive Reorganization Plan

The Authority is required to continue to implement the comprehensive reorganization outlined in the certified October 2022 Authority's Fiscal Plan, including the organizational separation of the Toll Roads and Non-toll Roads Management Offices, establishment of the Toll Roads Management Office, regular toll fare increases to cover its expenses and debt payments, and transfer of the Urban Train to PRITA. As of June 30, 2022, the net book value of the transportation assets amounted to approximately $1,597.5 million, plus the costs of land where the train stations and the train tracks are located. In addition, these operations report annual net losses of approximately $70 million, which are partially defrayed by federal funding ranging to approximately $16 million annually.

26. SUBSEQUENT EVENTS (Continued)

e. Aggregate Realized Gain as of the POA's Effective Date

After implementation of the Authority's POA, the aggregate realized gain to be recognized by the Authority is as follows:

Type	Balance as of June 30, 2022	Down Payments **	Amount discharged	Assumed by the Commonwealth	New Bonds / Loan Issued	Debt after restructuring
Bonds Payable						
Principal	$ 4,361,154,871	$ (264,000,000)	$ (5,242,448,636)	$ -		
Interest	1,145,293,765	-	-	-		
Subtotal	5,506,448,636	(264,000,000)	(5,242,448,636)	-	$ 1,245,000,466	$1,245,000,466
GDB						
Principal	1,733,697,499	-	-	(2,712,145,599)		
Interest	978,448,100	-	-	-		
Subtotal	2,712,145,599	-	-	(2,712,145,599)	-	-
Dept. of Treasury						
Principal	-	-	-	-		
Interest	-	-	-	-		
Subtotal	-	-	-	-	359,635,807	359,635,807
TMB Bonds (not restructured)						
Principal	78,409,519	-	-	-		
Interest	-	-	-	-		
Subtotal	78,409,519	-	-	-	-	78,409,519
Offset of downpayment	-	264,000,000	-	-	-	-
Grand Total	$ 8,297,003,754	$ -	$ (5,242,448,636)	$ (2,712,145,599)	$ 1,604,636,273	$1,683,045,792

** - Amounts include approximately $92 million in liquidated investments held at the trustee used as part of the upfront payment to bondholders.

The net cancellation of debt recognized on December 6, 2022, equals 1) the amount discharged, plus 2) the amount assumed by the Commonwealth, 3) less the new bonds / loans issued, plus 4) interest accrued from July 1, 2022 to December 6, 2022.

f. Contingencies

As of the Stay Date under PROMESA, the Authority was a defendant in numerous claims from bondholders and others. Upon the discharge under PROMESA, on December 6, 2022, other than the exchange of bonds and the Commonwealth issuance of the CVIs to settle GDB DRA obligations, as disclosed in Note 21, the remaining claims were classified as General Unsecured Obligations and Allowed Eminent Domain / Inverse Condemnation claims.

How to obtain a copy of the POA

Refer to https://cases.ra.kroll.com/puertorico/Home-DownloadPDF?id1=MTExMDc3Mg==&id2=-1 for a copy of the Authority's POA.

Fringe Benefits

On December 23, 2022, the Governor signed into law Act No. 119-2022, which changed the vacation accrual formula for all government employees. Through the Act, it was established that as of December 23, 2022, all public employees will have the right to accumulate vacation at the rate of two days for each month of service.

26. SUBSEQUENT EVENTS (Continued)

Hurricane Fiona

On September 18, 2022, Hurricane Fiona made landfall in Puerto Rico, bringing sustained winds of 85 miles per hour and significant rainfall. The hurricane caused catastrophic destruction in Puerto Rico, including severe damage to the electric power system, and left the Island completely without power. Management has determined that replacing or repairing the property damaged by this hurricane will have a cost of approximately $150 million.

REQUIRED SUPPLEMENTARY INFORMATION

PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY
(A Component Unit of the Commonwealth of Puerto Rico)

Schedule of Changes in the Authority's Total Postemployment
Benefits other than Pensions (OPEB Plan) Liability and Related Ratios (Unaudited)
($ in Thousands)

June 30, 2022

Total OPEB liability (Reporting Date)	2022	2021	2020	2019
Service Cost at end of year	$ 82,306	$ 85,610	$ 117,660	$ 114,893
Interest	64,042	64,351	90,625	91,351
Difference between expected and actual experience	-	2,213	(856,304)	-
Changes of assumptions	121,663	32,050	81,655	62,199
Benefit payments	(86,416)	(79,850)	(256,598)	(35,231)
Net change in total OPEB liability	181,595	104,374	(822,962)	233,212
Total OPEB liability - beginning	2,450,802	2,346,428	3,169,390	2,936,178
Total OPEB liability - ending	$ 2,632,397	$ 2,450,802	$ 2,346,428	$ 3,169,390
Covered-employee payroll	$ 27,310,083	$ 27,658,668	$ 29,432,004	$ 39,777,324
Total OPEB Liability as a percentage of covered employee payroll	9.64%	8.86%	7.97%	7.97%

Notes to schedule:

The Authority's total OPEB liability as of June 30, 2022, was rolled forward by the actuaries to the measurement date July 1, 2021 (reporting date June 30, 2022) using standard roll forward techniques in accordance with GASB 75, paragraph 71.

This Schedule is intended to show information for ten years. Additional years will be displayed as they become available.